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NEWS SUMMARY

GENERAL

Britain seeks Uganda inquiry

...ernment has announced ...is seeking a United ...investigation into the ...of Archbishop Luwum ...Cabinet Ministers in ...where severe disturb-...ve been reported.

Uganda admitted that ...d been incidents involv-...idan army dissidents and ...me people had been ...nconfirmed reports from ...spoke of a campaign to ...members of the Langi ...ole tribes.

...rime Minister told the ...s that he was prepared ...soundings" among other ...wealth Governments ...y invitation to President ...attend the Common-...Conference in London ...Back Page

...h may break ...land barrier

...Smith is expected to ...this week that blacks ...allowed to buy agricul-...od now classified as ...an" under the ...n Government's plan to ...acially discriminatory ...s. The move is part ...hodesian Premier's bid ...ternal settlement with ...te Africans," but is ...to satisfy nationalist ...Back Page

...wingers in Spain

...police have discovered ...factory in Madrid and ...1 extreme Right-...At the same time, the ...t-Party has been told ...inistry of the Interior ...equest for legalisation ...denied on a prima facie ...on of its articles of ...n; and referred to the ...Court. Page 4

...tos fines

...tish companies were ...total of £14,500 at ...s for contravening the ...regulations during the ...of a water tank at a ...nd Newcastle Breweries ...illiam, Waugh, on ...scrap metal merchant, ...£10,000, thought to be ...st penalty yet imposed ...Factories Act. Page 10

...rder

...outri judge last night ...London School of ...s students to end their ...cupation of administra-...s. Saying that the order ...effective from noon to-...Justice Mocatta added: ...es not mean they can ...e till then."

...Agee move

...CIA agent Mr. Philip ...lodged a petition at ...'s Court of Session ...a declaration that the ...en order, which gives ...March 1 to leave the ...eyond the power of the ...retary in Scotland.

...ic victory

...to the Duke of Chinsnil ...their suit against the ...era-Comique to restore ...'s right to a 12-seat box ...taire for every perform-...e Opera-Comique was ...definitely last year.

...y...

...her Vodlin, former ...designate of the Bank ...was jailed for 5½ years ...d £16,400 in Tel Aviv ...ting bribes and evading ...e 6

...n McAteer, national ...of the Scottish ...Party, died in Glasgow.

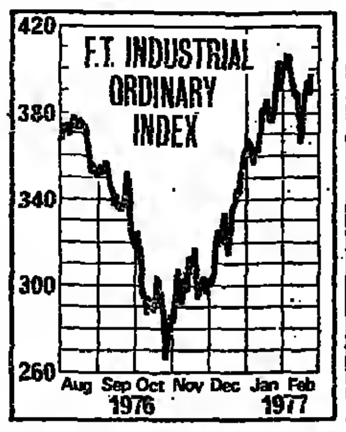
...r manufacturer was ...0 at Hitchin, Herts., ...r Trade Descriptions Act ...ing a costume which ...transparent in water.

BUSINESS

Sterling gilts and equities rise

● STERLING gained 20 points to $1.7075; its weighted depreciation narrowed to 43.2 (43.5) per cent. The dollar's narrowed to 1.02 (1.06).

● EQUITIES rose on small demand in a thin market. The FT



30-share index was 8.7 up at 397.7 while the All-Share increased 1.6 per cent. to 166.93.

● GILTS had a better day, with gains in longs ranging to ¾. The Government Securities index was 0.17 higher at 65.09.

● GOLD rose $1 to $137¼.

● WALL STREET closed 0.33 down at 939.91.

Arabs relax Israeli boycott

● ALL ARAB trading partners of the U.S. except Iraq appear to have dropped their insistence on American goods being accompanied by a document disclaiming any Israeli connection. Back Page

● MR. JIMMY CARTER, the U.S. President, has sent Congress his revisions to the fiscal 1978 Federal Budget, which add $20bn. to the $440bn. total outgoings proposed by the Ford Administration. Back Page

● LEADERS of the unofficial Leyland toolroom strike are likely to reject a union instruction to return to work. Back Page

● GOVERNMENT is considering new financial incentives as a means of stimulating chemical industry expansion based on North Sea oil and gas. Page 7

● LEADING CITY figures and institutions launched an attack on the Bullock Report yesterday in an effort to persuade the Prime Minister not to introduce legislation on trade union based worker directors. The Report has its first Parliamentary airing to-day in the House of Lords. Page 12

● A MAJOR ROW appears to have broken out among the top management of Italy's largest State holding company IRI. Back Page

● JAPANESE bargaining positions for the spring wage negotiations have been taken. A bitter fight is likely, with unions wanting a minimum 15 per cent. and management prepared to concede only 8.8 per cent. Page 6

COMPANIES

● VOSPER THORNYCROFT pre-tax profit for the year to October 31 rose to £5.51m. (£4.03m.) on increased turnover of £97.75m. (£82.05m.). The company could face redundancies later this year if it does not secure the imminent Government order for another Type 42 destroyer, according to the managing director. Pages 6 and 26

● CHRYSLER CORPORATION of the U.S. reported a net operating profit of $328m. in 1976, compared with a $207m. loss in 1975. Page 31

● IMPERIAL METAL Industries pre-tax profit for 1976 rose to a record £30.08m. (£19.39m.). Turnover increased 21 per cent. to £404.05m. Page 27 and Lex

PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

...ews	173 + 9	Martonair	109 + 6
...	398 + 11	Muirhead	160 + 5
...	112 + 4	Natwest	235 + 8
...ult	160 + 5	Simon Eng'g	183 + 5
...	187 + 5	Slag Line	195 + 15
...tal	301 + 4	Stock Conversion	184 + 6
...ar 4½ 2ndPf.	41 + 12	Stothert and Pitt	325 + 9
...mbridon	45 + 10	Tate and Lyle	264 + 6
...	183 + 5	Thomson Org.	438 + 13
Duffus	180 + 11	Ultra Electronic	175 + 27
...	160 + 6	Vosper Thornycroft	90 + 4
...	232 + 8	Woolworth	58½ + 3
...lntor	47 + 5	Shell Transport	504 + 6
...	342 + 7	Triventrol	143 + 5
...	197 + 10	Buffelis	690 + 40
...	37 + 6	Bracken	250 + 8
...ds	232 + 5	East Rand Prop.	280 + 18
...	74 + 3	Grevor Tin	250 + 7
...	68 + 4	RTZ	193 + 7
...tric	126 + 10	Unisel	135 + 12
		FALLS	
		Oil Exploration	57 − 4

Guillotine defeated by 29 majority

By RICHARD EVANS, Lobby Editor

MPs THREW out the Government's attempt to force through a guillotine on the Devolution Bill in the Commons last night. Many more Labour MPs rebelled than the Government Whips had feared and the guillotine resolution was heavily defeated by 312 votes to 283, an Opposition majority of 29.

The size of the defeat means that there is now almost no prospect of the Bill reaching the Statute Book this session.

The Government's business programme is in a state of unparalleled confusion, with continuing uncertainty over the Bill to nationalise the shipbuilding and aircraft industries, and now the loss of the devolution legislation.

Amidst scenes of uproar, Mr. Francis Pym, Opposition spokesman on devolution, demanded a statement on the Government's intentions and Mr. Michael Foot, the Government's devolution spokesman, said the Government would take full and proper consideration of the Commons vote.

Mr. Foot admitted during the debate that without the guillotine the Bill had no hope of becoming law and the Cabinet now faces three possible choices over its future. First, the committee stage of the Bill could be continued with the intention of applying for another guillotine at a later stage.

Secondly, the proposed referendum in Scotland and Wales could be brought forward in the hope that the electorate could persuade MPs to give the Bill their support. Finally, the whole devolution project might have to be abandoned at the risk of Labour facing a severe defeat from the Nationalists at the next General Election.

Although the Bill's committee stage is to be continued tomorrow, the initial belief at Westminster was that there is little point in seeking to guillotine the measure at a later stage because of the strength of the Opposition vote.

The danger for the Government is that if the Bill is lost the Nationalists will make immense political capital out of the need for more self-government.

Ministers fear that in these circumstances, Labour strength could be decimated in Scotland. Labour now holds 42 of the 71 Scottish seats and without this strength there would be a greatly diminished chance of holding power at Westminster.

The Conservatives were joined in last night's vote by most of the Liberals, the United Ulster Unionists, and by more than 20 Labour backbenchers. Support for the Government from the two Welsh Liberal MPs and the 14 Nationalists was not enough to avoid the humiliating defeat.

In the closing speech Mr. John Smith, Minister for Devolution, strongly criticised Liberal MPs for refusing to support the guillotine even though they had voted for the second reading of the Bill.

He denied that the Government had made no attempt to meet Liberal views, pointing out that their case that elections in the assemblies in Edinburgh and Cardiff should be conducted on the basis of proportional representation had been overwhelmingly rejected by the House of Commons.

As for the insistence of the Liberals that the Scottish Assembly should have powers to levy taxation he stressed that the Government was not opposed to this in principle, but there were immense practical difficulties in devising a system which could operate within a unitary concept.

Mr. Smith emphasised that a vote for the guillotine would not necessarily ensure the passage of the Bill. Opponents, if they could muster sufficient support, would still have the opportunity to reject it on third reading.

There was support from both sides of the House for the view that rejection of the guillotine would be more a victory for Parliament rather than a defeat for Labour.

It was contended that the detailed consideration applied in the ten days so far devoted to the committee stage had exposed the Bill to be unworkable.

No concessions were offered to potential Labour rebels by Mr. Foot when he introduced the crucial guillotine motion.

Mr. Foot was distinctly cool towards a Conservative proposal, which has the backing of some Labour anti-devolutionists, for a special convention to be held in order to reach all-party agreement on the form devolution should take.

He also dismissed a suggestion from Labour anti-devolutionists that a referendum should be held immediately in Scotland and Wales rather than when the Bill has completed its passage through Parliament. In his view, it would be extremely difficult to phrase the question to get a precise answer.

Mr. Foot argued that it would be very dangerous for Parliament and for the country if the Commons were to deny the legitimate claims of Scotland and Wales, but he faced constant interruptions from opponents of the Bill on both sides of the House.

He argued that the 20 further days that would be allowed under the guillotine would mean that provision for the Bill would be more generous than for any other since the 1930s. In a

Unemployment total dips but outlook remains bleak

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

UNEMPLOYMENT has fallen slightly during the last month, but the drop is almost certainly an erratic movement against the trend. The job outlook remains bleak for the rest of this year at least.

Adult unemployment in the U.K. fell by 6,500 (seasonally adjusted) in the month to mid-February to 1.33m., which is equivalent to 5.6 per cent. of the total workforce. This is nearly 100,000 more than the figure a year ago.

There have been two previous slight checks to the steady rise in unemployment over the past 2½ years—in March and October last year—but both proved false dawns. There is nothing in the present economic background to suggest that the fall during the past month is anything more than a temporary fluctuation.

No explanation was offered yesterday for the drop, but it could reflect the impact of the slight pick-up in industrial production in recent months and the effects of the Government's employment measures such as the job release scheme and the temporary employment subsidy, which is assisting more than 200,000 workers for the first time.

The restrained official view yesterday was that, while the drop was obviously a step in the right direction, one month's figures did not establish a trend. It would be several months before it was clear whether the rising trend had been halted.

However, attention was drawn to the fact that the number of people aged under 60 unemployed for more than four weeks—thus excluding those near retirement age and those between jobs—had dropped by 33,000 over the past month to 1.07m. This is still 113,000 higher than a year ago.

Vacancies appear to be rising and this is normally regarded as a forward indicator of increased labour market activity.

The figures—announced yesterday by the Department of Employment for the first time in four months because of an internal labour dispute—show that notified vacancies have risen by 26,000 since October on a seasonally adjusted basis.

Difficult

This is the highest vacancies total since May, 1975, although the figures are still being treated cautiously because of the dispute.

It is difficult to establish the underlying trend of unemployment which, until the latest figures, had been rising by between 12,000 and 15,000 a month.

The general expectation, both inside and outside the Government, was that unemployment will be higher by the end of the year.

This is due to both the forecast slow rate of economic growth and an expected increase in the labour force of about 12,000 a month made up of school leavers and women workers.

This may be partly offset by pressures for work-sharing and other attempts to restrict the growth of productivity. A number of forecasters outside Whitehall, however, have estimated that the total of adult jobless will rise to at least 1.5m. and possibly 1.7m. by the end of this year with little hope of a significant improvement next year.

The CBI has suggested that employment should begin to rise by the end of this year and that unemployment may have stopped rising by early next year, depending on the growth of the labour force.

Total unemployment in the U.K. on an unadjusted basis has fallen during the last month by 26,375 to 1.42m.

The number of school leavers out of work has shown a further decline and now stands at just under 42,000, compared with a peak last July of 208,000.

This means that, as in 1975-76, about 80 per cent. of those registering as unemployed in the summer have left the register by mid-winter.

A more worrying feature is the evidence that regional differences in unemployment are beginning to widen again, after narrowing during the earlier part of the recession.

In the last month, the 6,500 fall in U.K. unemployment (seasonally adjusted) conceals rises of 1,300 in Scotland and 1,000 in northern England. A fall of 4,200 occurred in south-east England.

Our Labour Correspondent writes: The TUC reacted to the still bleak unemployment figures with a clear call for a reflationary Budget to stimulate output and jobs. Similar reflation was needed in all the main industrial countries, it said.

Mr. David Basnett, general secretary of the General and Municipal Workers' Union and one of the TUC's negotiators on the economy, said that the Budget should increase direct expenditure on job creation and job saving so that some of the public expenditure cuts were restored.

"To-day's figures, while showing a small but welcome reduction, also show that there is no let-up in the appalling social cost of unemployment. Economically, socially and ethically, a priority is to reduce unemployment must now be absolute," he said.

Map, Page 28

Racal rival for Milgo offers to sell its 48% holding

BY TERRY WILKINSON, CITY STAFF

RACAL ELECTRONICS has won outright victory in its take-over fight for Milgo Electronics, the United States data communications group. Yesterday, rival bidders, Applied Digital Data Systems, tendered its 48 per cent. holding to Racal, bringing the U.K. group's shareholding to 98 per cent.

At the same time Racal has emerged as a significant shareholder in Ultra Electronic Holdings for which Dowty Group launched a 6m. bid on Friday. Racal, "as a holder of in excess of 10 per cent." of Ultra has bought an additional 3 per cent. of the company's shares at between 144p and 148½p since the bid, and £25,000 nominal of convertible loan stock.

Mr. Ernest Harrison, chairman of Racal, declined to disclose yesterday the extent of Racal's holding in Ultra, or to comment on his company's intentions.

News of Racal's presence and a statement from the Ultra Board that several informal approaches had been made to the company in recent months, and that since the bid from Dowty "some of these approaches have been renewed" sent Ultra's shares to 175p up 27p on the day and well ahead of Dowty's offer, worth 150p.

Mr. Edwin Birch, managing director of Ultra, said no comment could be made on the bid from Dowty, which has acquired a 13 per cent. holding since the bid. "It is not clear what is going on in the background. We shall have to wait until the air clears."

Racal's share price moved 4p higher to 293p on yesterday's events. The acquisition of Milgo for $63m., after a month-long battle with ADDS and ten successive tender offer increases, brings in a group with forecast sales revenues of $52m. for the year ended September 1977 and forecast net income of $5m.

In its last financial year ended in March 1976 Racal, which earned £1m. last year from its joint Racal-Milgo marketing venture, reported pre-tax profits of £19.6m. on sales of £80m.

Towards the end of next week Racal is expected to make its promised rights issue

£ in New York

—	Feb. 22	Previous
Spot	$1.7070-7075	$1.7060-7065
1 month	1.20-1.15 dis	1.30-1.25 dis
3 months	3.59-3.54 dis	3.60-3.55 dis
12 months	11.30-11.20 dis	11.25-11.15 dis

FEATURES

ON OTHER PAGES

For latest Share Index 'phone 01-246 8026

More flexible and tougher price curbs

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

THE GOVERNMENT is to abolish one of the two main planks of the price code and replace it with a more flexible and selective system of examining individual price rises.

New controls, detailed in a consultative document published yesterday, would be backed by tougher powers to order price reductions and would introduce a new element of subjectivity into price controls.

The Price Commission, which will be revamped when the present price code expires in the summer, will make judgments about the use of profits as well as the size of them, and will not start from the premise that higher costs automatically justified a price rise.

A new chairman will be appointed to succeed Sir Arthur Cockfield, who has said that he wants to leave in July. Other members will be appointed from industry and the trade unions.

The idea of the proposed legislation, which would give the Government powers to continue price controls indefinitely, is to establish a regime in which pricing decisions would be made "socially accountable" while removing some of the bureaucratic complexities involved in the present system.

Damaging

These proposals, which will now be the subject of a four-week formal consultation period, were strongly condemned yesterday by the Confederation of British Industry, the Retail Consortium and the Conservative Party.

The CBI said that the package could seriously damage industry's ability to bring about an economic recovery and provide jobs.

Government plans, however, were described by the TUC as "helpful." The General Council "would find much to welcome in the consultative document.

"The proposals represent a switch in Government thinking on prices policy. Three weeks ago, the Department of Prices told industry representatives privately that it was considering abolishing the whole of the present price code and replacing it with a more flexible system, backed by tougher powers to freeze prices and, in some cases, reduce them.

Since then, the TUC has made it clear that it could not ask its members to accept such a package so a compromise has been reached which combines half the existing code with some of the Government's new ideas.

Companies will continue after the summer to be bound by profit margin ceilings based largely on their performance before the existing code came into effect in 1973. Those which exceeded these limits will, as now, have to make price reductions.

Britain's largest manufacturers will also have to continue submitting details of proposed price rises 28 days before implementing them. But the amount of information they will have to submit will be less than at present and not related to increases in unit costs. They will not be judged under the price code's existing available cost rules.

Instead of these rules, the Commission will work with a more flexible set of criteria, such as provision for unavoidable cost increases, and permission for companies to make a "real rate of return on capital" to meet the cost of financing their business.

How these criteria are interpreted in practice depends on the judgment of the Commission although certain safeguards will be built into the legislation.

Freeze

The Commission's own role as an investigatory body is to be strengthened. So, too, are the present very limited powers of the Secretary of State to implement the Commission's recommendations.

The Commission will examine both individual price rises, and wider market sectors and trading practices referred to it by Mr. Hattersley.

In the case of investigations into particular price increases, which the Commission will initiate and which will probably run to about 40 a year, there will be powers to freeze a price increase for the three months of the investigation or allow an interim increase.

The Secretary for Prices would then have the power to implement the Commission's recommendations. Although these powers are limited in certain respects, they could mean that companies' price rises were blocked for up to a year.

For retailers, these Price Commission investigations will be on top of the existing controls on both net and gross margins.

Yesterday, the CBI and the Retail Consortium accused Mr. Hattersley of surrendering to union pressure. He dismissed these criticisms as a statement of "crude over-simplicity."

The new controls would be more effective because they would provide an effective way of dealing with companies or sectors where prices or profits seemed unnecessarily high and which had escaped constraint under the price code because their historic performance was based on an unacceptably high profit or price.

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Feature, Page 25

LOMBARD

Giscard and the French Left

BY ROBERT MAUTHNER

TO ASSERT that economics and politics are closely linked is no more than a truism, applicable to every country in the world. But the relationship has become particularly relevant in France where success in the economic field will determine whether or not the general election in the spring of 1978 will lead not only to a change of Government but to fundamental modification of the country's economic system. If the Left — an alliance of the Socialist and Communist parties—wins, which is a distinct possibility, it will embark on a sweeping programme of nationalisations, embracing both the largest French companies and the whole financial sector, the process of "collectivisation," to employ the fashionable terminology of the opponents of the Left, will doubtless be a long-term affair lasting many years, but that does not alter the fact that free enterprise, which has served France so well in the post-war era, will have its back against the wall.

Popularity

In spite of all the rantings and ravings of M. Jacques Chirac, the Gaullist leader, whose single-minded pursuit of personal and party ambitions have, if anything, increased the prospects of a Left-wing victory, President Giscard D'Estaing has kept his "ovo firm" on the economic situation. The President may have serious short-comings, including a somewhat naive faith in the maturity and intelligence of the French electorate, but his many years as Finance and Economics Minister have taught him the political advantages of getting the economy right. One has only to watch the quixotic performance of the public opinion polls in France to realise how one or two months of favourable indicators can boost the popularity of the country's leaders.

This, M. Raymond Barre, the Prime Minister, appointed as M. Chirac's successor in August last year, has recently risen by leaps and bounds in the popularity ratings mainly, though not entirely, because his economic stabilisation measures of last September have produced a sharp drop in the rate of inflation. Looked upon at first as no more than a rely-poly economics professor who would soon be stymied by the political and social difficulties of applying his text-book remedies, he has suddenly emerged in the public eye as a man of considerable stature.

There is one major snag in all this, however. It looks very much as if the improvement in the economy, very timely as far as next month's municipal elections are concerned, will be difficult to maintain long enough to have a decisive influence on the 1978 Parliamentary election.

Prices, which in September last year were still rising by more than 1 per cent., increased by only 0.3 per cent. in December. But in January this year the rise will be in the region of 0.5 per cent. and inflation is again expected to gather speed as the summer approaches. At the same time, the trade deficit which was reduced sharply in December jumped last month to Frs.2.38bn. (about £280m.), the worst figures since last November, one of the bleakest months on the trade front in recent French history.

Most serious of all, from a political point of view, has been the government's inability to make a dent in the unemployment figures, which continue to hover stubbornly around the 1m. mark. The slow-down in the rise in industrial production after last year's sharp spurt, the very cautious expectations of the business community for the coming months and the marked tendency of French companies to retain a larger workforce than is strictly necessary because of the legal obstacles to dismissals, will make it difficult to reduce unemployment.

To believe that M. Barre has won his battle is therefore premature to say the least. During the coming 12 months, he will have to rely largely on an external stimulus—from the U.S. and West Germany, in particular—to keep the French economy ticking over satisfactorily. Anything but the most partial domestic expansionary measures this year would undermine both his whole anti-inflationary policy and his personal credibility.

Price controls

Several factors, it should be said, are working in his favour. The business and industrial community, in the guise of the Patronat (the French employers' federation), has at last stopped screaming for the restoration of its freedom to set its own prices and is now co-operating with the authorities in negotiating contracts limiting price rises; which are the follow-up to the total price freeze that ended on January 1. The voice of the Patronat will remain muted as long as there is a danger of the left coming to power. The Left-wing Trade Unions, for their part, are unlikely to embark on any major industrial action for fear of damaging the chances of the Left at the general election.

The social climate for applying the right kind of economic policies is therefore reasonably propitious.

RACING BY DOMINIC WIGAN

Flying Hugue for Catterick

THAT HIGHLY-RATED recruit to English hurdling, the Tony Dickinson-trained Flying Hugue, reappears at Catterick to-day in the weekly contested second division of the Wensley Novices Hurdle, and I fully expect him to boost his Cheltenham prospects.

Flying Hugue, a 25-to-1 chance in most lists for the Daily Express Triumph Hurdle on March 17, has had only one race in this country since being bought out of a French stable in the summer.

Twelve days ago he put up a highly encouraging display when repaying heavy support on this track in a 24-runner division of the Brough Novices Hurdle. Backed down to 9-to-2 second favourite from an opening show of 12-to-1, the Glaburn, Clitheroe, gelding jumped to the front at the penultimate flight, and despite losing the lead to Cool Trader with a blunder at the last, he was still good enough to force his way back into the lead and land the spoils.

That was a fine initial display by Flying Hugue, for the runner-up was at the top of his form, having just defeated Ravir, with the remainder well beaten off, in a 20-runner event at Wetherby.

In what appears to be an ideal warm-up race for Cheltenham, Flying Hugue should not be hard pressed to defy a 7-lb penalty. Those of his rivals that have run do not appear to amount to much, and the well-thought-of newcomer Active Fern may fill the runner-up spot.

In the first division of the Wensley Hurdle betting seems likely to take a far wider range, with Igloo Fire, Stormy Affair, Slap Happy and Justafancy all sure to have their supporters.

If Stormy Affair, the probable favourite, does well, it will be a useful pointer to Flying Hugue's chance later on, for last time out the Mick Easterby-trained Stormy Affair was beaten six lengths in third place in the race won by Cool Trader at Wetherby.

However, my own narrow preference is for the fast-improving Igloo Fire, who did so well when justifying Hefty Backing with a seven-length Newcastle success in particularly holding ground on Friday.

For those brave enough to risk a bet in the Novices Chase, the two-mile Leyburn Chase, Humpty Dumpty appeals as a worthwhile each-way bet.

CATTERICK

1.45—Part One*
2.15—Four Star
2.45—Igloo Fire
3.15—Teddy Bear II
3.45—Humpty Dumpty**
4.15—Flying Hugue***

SALEROOM BY ANTONY THORNCROFT

Enamels outshine ceramics

ONE OF THE best collections of transfer-printed ceramics, formed by the late Sir William Mullens, came up for auction at Sotheby's yesterday and attracted very good prices. But, even better prices were paid for enamels. A large Continental plaque painted with a view of St. James's Park, and signed JFK 1770, fetched £1,250, three times the forecast. The companion plaque, showing Vauxhall Gardens, made £950.

The auction realised £60,793, all the enamels selling. A white ground "Honeysuckle Group" snuff box of about 1760 sold for £750, and Amor paid the same price for a transfer print, a dry mustard pot and a cover of 1760. Another London dealer, W. Williams, bought a double-lipped sauceboat of about 1755 for £680.

There were two good routine sales at Christie's. English drawings and watercolours totalled £34,806, and Japanese ivory carvings and netsuke £35,940. The best price for pictures was £2,600, comfortably above forecast, for a watercolour of kittiwakes and puffins on a cliff by Archibald Thorburn.

A much more extraordinary price was the £2,400 which Drummond, the London dealer, gave for an album of horses and donkeys by Thomas Sidney Cooper. It had been estimated to go for between £200 and £400. Another Thorburn, "The Butts in Sight" sold for £1,700, and yet another water colour from the same artist, "Among the Heather," made £1,300.

Among the Japanese works of art a large ivory group of the Schichi-Fuku-Jin made £1,900, three times forecast, while a large ivory carving of a sage reclining on a log sold for £750. The same was paid for an ivory carving of Kannon and for a carving of an entertainer.

A late 18th-century instrument designed to measure the extent to which the Moon "wobbles" from its normal position in relation to the Earth, sold at Phillips yesterday for £3,600, to Banham. It was designed about 1790 by John Russel, and consists of a globe showing the Moon's surface and held by a movable brass support. He called it a selenographia.

The sale of scientific instruments made £19,549. The Science Museum giving £1,200 for a brass microscope by W. Watson. In the Phillips furniture sale Frenses paid £3,000 for an 18th-century Chinese Peking carpet, and Bragge £1,850 for a Georgian carved mahogany bookcase.

In the Robson Lowe stamp auction of Great Britain there was especial interest in the stamps of Edward VII. A 1911 3d grey sold for £1,500. The two-day auction totalled £90,817.

At Osmond Tricks and Son in Bristol a high price of £1,800 was bid by a local dealer for a French floral marquetry and ormolu-mounted credenza. It was slightly damaged.

At Sotheby's Belgravia auction room Victorian pictures brought in £23,158, with a highest price of £600 for 18 lithographs of the Holy Land after David Roberts and for views of Sezincot House, Gloucestershire, after John Martin.

BBC's 'missing letter'

THE BBC receives 500,000 letters a year about alleged bias, taste, timing of programmes, reception and waste. The only kind of letter viewers and listeners do not write to the BBC are about increased TV licence fee, Sir Charles Curran, the corporation's director general, said yesterday.

Speaking in London, Sir Charles said: "The marvellous thing is that if on any given day we receive a letter complaining about taste in some play, you I almost certainly receive another letter saying what a work of genius it was.

"If you receive a letter about bias in one direction about a programme you will almost certainly find a letter alleging bias in the precisely opposite direction."

Sir Charles said there was a certain relief in this, but both letters still had to be answered.

In addition to 500,000 "spontaneous" letters a year, there were nearly 8,000 items a day of solicited mail, such as requests for records.

Sir Charles said most letters helped the BBC to sense the public mood, and every corporation reply was an exercise in public accountability.

GARDENS TO-DAY

Awkward jobs between frost and rain

BY ROBIN LANE FOX

AS THE FROSTS moderate and the rains redouble, I have been considering how best to cut back. This is not the consequence of despair at the past two and a half years of ghastly weather for gardeners. It results from the erratic growth of shrubs and climbers, some of which are too large, others misshapen after a drought and a coldish winter.

It would be possible here to give you some lethal advice. Owners of conifer screens, *Cupressus Macrocarpa* or *Leylandii*, might care to cut away the tops of hedging which have no doubt become too tall, too quickly. It might seem an attractive job for late February, when there are not too many other calls on one's time, and when there is often an urge to be outside, to be making an impact somewhere.

In fact, if you cut a screen of *Macrocarpa* back to a moderate height, you are almost sure to lose it, especially if you cut it at this early date. Attack it in May and it might bounce back again, if the roots put up with the loss of greenery which nourishes them. But generally there is nothing much you can do with these oversized conifers except to wonder whether you like their smelly curtains of drab grey greenery. I would prefer a loose hedge of pink Escallonia myself, as it also flowers. It is not slow, and can be bought at a height of three feet.

If you cannot be diverted, you are more likely to be able to attack *Cupressus Leylandii* to some purpose. It is certainly the better of the two, and if it is not cut until May or June, it may pull through the experience.

Treatment

Yearly, I am puzzled too by the best treatment for my various cistus. They will soon be free of their straw and winter blankets, and they do look ripe for shaping after a winter in retreat. Spring is a bad moment for most evergreens, and it does not show the taller cistuses off to the best advantage. Once I gave in to temptation and cut an aging *Cistus Cyprius* back into its hard wood; it never sprouted again and I ended up with only half a cistus.

At most, you can trim back the tips of soft green stems which may have been upset by the frost. You can also cut out any wood which has died. But if you take the young stems right back below the meeting point with a tough-barked main shoot, you will probably stop it from sprouting neatly again.

Another awry cistus, in short, dislikes to be cut too low, and however much you may want to reduce its shape, you have to put up with it.

Ceanothus is another tempting subject which calls for care and hesitation. I have a fine evergreen *Thyrsiflorus* variety which is now too tall for the low wall against which I put it. One heavy snowfall sufficed to break the top of its growth, for the shoots are as fragile as they are quick-growing. It has bent double in a pretty way, but I doubt if it can last, and I hesitate to support it for fear of compounding the damage on stems which have almost split.

Deciduous

It is another shrub which does not like to be cut back into bare old wood, freely though it produces its young lateral shoots. The evergreen varieties should be attacked after flowering. The hybrid *Burkwoodii*, so good against a wall, should be attacked in spring, so that its new young growth will flower later in the summer and autumn.

The less hardy deciduous varieties, including the dusky pink-mauve Perle Rose, should be attacked in late April, when the frosts are past their worst.

These less-hardy varieties can be cut back to two buds from the base of the previous year's growth. This stops them losing their shape, though it is as well to feed them with a top-dressing of manure throughout the summer, after they have been trimmed. Often one is stuck for something tallish, quick and coloured anything but yellow, here with which to fill out a summer border. These deciduous ceanothus are one answer, as they do not become too wide and their colours are clear and unusual in ordinary border plants.

At this point I feel obliged to say something useful for the first time in seven years about the heather. Heather-gardeners are not always aware that they have it in their power to prolong their heather's life. I am loth to remind them how to contrive this, but it must be said that wild heather usually lives on poor moorland, in a thinner soil than most gardens would ever contain.

Discriminate

A richer life in the garden causes heather to grow more freely and hence to die out more quickly. By cutting carefully, you can help them over this and keep them in shape. If you grow the ordinary Calluna, the late autumn heathers, set about it early April when the new shoots are showing. Cut back about half of the previous season's growth but do not cut into the older wood, for this, like the cistuses, will not shoot again. Unless your mind wanders, you can carry this out with electric hedge-clippers.

If you grow ericas, as I fear you do, you must discriminate. As a general rule, never touch any heather between July and March. Winter pruning may actually kill the brutes completely. If you erica flowers in winter, let it fade, then trim back the soft growth, above leaving all hard wood well alone. If your erica is expected to flower in summer or autumn, trim it not after flowering, unless you dislike it, but save your attack until March. If it flowers in spring, prune it as soon as the flowers are gone.

It is not my habit to lay down so many rules for one plant, let alone for a carpet of heath. But there is hardly a variety which is far worse than trimming every year, a trimming which was forced into me while training in a botanic garden. ... heather and primroses, broken only by bushes of the native Daphne, whose pink-mauve flowers matched the heather exactly. Out we would go in beating rain, in a German spring, slipping between trimming there, stretched in a line like beaters through strictly trimmed moor. If you must keep a heather garden, keep the things happy and neat. One more job, I fear, for next week-end on which the rain finally stops, but it is a job which goes too often unnoticed.

TV Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 a.m. Open University (UHF only). 9.15 For Schools, Colleges. 10.45 You and Me. 11.00 For Schools, Colleges. 12.45 p.m. News. 1.00 Pebble Mill. 1.45 Heads and Tails. 2.01 For Schools, Colleges. 3.53 Regional News (except London). 3.55 Play School. 4.20 The Wombles. 4.25 Jackanory. 4.40 The Great Grape Ape Show. 5.00 John Craven's Newsround. 5.10 Three's Company. 5.35 Paddington.

5.40 News.

5.55 Nationwide (London and South-East only).

6.20 Nationwide.

6.50 The Goodies.

7.20 Into the Unknown: "The Time Machine," starring Rod Taylor.

9.00 Party Political Broadcast on behalf of the Labour Party.

9.10 News.

9.35 The Man With No Name: (profile of Clint Eastwood).

10.35 Sportsnight.

12.25 Tonight.

12.00 Weather/Regional News.

All Regions as BBC-1 except at the following times:—

WALES—2.18-2.38 p.m. Y Ysgolion. Hwnt Ac Yma: Pren 3. 5.10-5.15 Crystal Tipps and Alistair. 5.15-5.35 Bic Ond ... 5.55-6.20 Wales Today. 6.50 Heddiw. 7.10 Pobol Y Cwm (senod) pennod 7. 7.40-9.00 "Carry on Constable." 12.00 News and Weather for Wales.

SCOTLAND—10.23-10.43 a.m. 2.18-2.38 and 2.40-3.00 For Schools. 5.55-6.20 Reporting Scotland. 9.00-9.10 Party Political Broadcast on behalf of the Labour Party in Scotland. 12.00 News and Weather for Scotland.

NORTHERN IRELAND—10.23-10.43 a.m. For Schools. 3.53-3.55 p.m. Northern Ireland News. 5.55-6.20 Scene Around Six. 12.00 News and Weather for Northern Ireland.

ENGLAND—5.55-6.20 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 a.m. Open University.
10.55 Nai Zindagi Naya Jeevan.
11.00 Play School.
4.55 p.m. Open University.
7.00 News on 2 Headlines.
7.05 Trade Union Studies.
7.30 Newsday.
8.10 Pro-Celebrity Golf.
9.00 Party Political Broadcast on behalf of the Labour Party.
9.10 One Men and His Dog.
9.45 The Velvet Glove.
11.15 Arena: Theatre.
11.45 Late News on 2.
11.55-12.00 Closedown: Bernard Hepton reads "Snow in Southern England," by Ted Welker.

LONDON

9.30 a.m. Schools Programmes. 12.00 The Adventures of Rupert Bear. 12.10 p.m. Rainbow. 12.30 Kitchen Garden. 1.00 News plus FT index. 1.20 Today's Post. 1.30 Crown Court. 2.00 Good Afternoon. 2.25 Marcus Welby M.D. 3.20 Rooms. 3.50 Whose Baby? 4.20 How. 4.45 Horse in the House. 5.15 London Scene. 5.20 Sportscene.

5.45 News.
6.00 Today.
6.35 Crossroads.
7.00 This is Your Life.
7.30 Coronation Street.
8.00 The Benny Hill Show.
9.00 Party Political Broadcast on behalf of the Labour Party.
9.10 Disappearing World.
10.10 News.
10.40 National Club Acts Awards.
11.40 Drive-In.
12.10 a.m. Dummies.
12.25 Close: Gordon Bailey reads his own poems.

All ITV Regions as London except at the following times:—

ANGLIA

12.30 p.m. Whose Baby? 1.25 Anglia News. 2.00 Houseparty. 2.25 Cash and Company. 3.50 Mr. and Mrs. 5.15 University Challenge. 10.40 About Anglia. 12.10 a.m. The Big Question.

ATV MIDLANDS

12.30 p.m. Whose Baby? 1.20 ATV Newsdesk. 5.15 The Flintstones. 6.00 ATV Today. 11.40 The Playwrights: Tom Stoppard.

BORDER

12.30 p.m. Whose Baby? 1.20 Border News. 2.00 Houseparty. 2.25 Boney. 3.50 The Mary Tyler Moore Show. 5.15 Lassie. 6.00 Border News and Lookaround. 12.05 a.m. Border News Summary.

CHANNEL

1.20 p.m. Channel Lunchtime News and What's On Where. 2.25 The Champions. 5.20 Cartoon. 5.25 Survival. 6.00 Channel News and Weather. 10.28 Channel Late News. 12.10 a.m. The Film Makers. 12.40 Vision U.S.A. ... Epilogue followed by News and Weather in French.

GRAMPIAN

9.25 a.m. First Thing. 1.20 p.m. Grampian News Headlines. 2.25 The Champions. 5.15 The Flintstones. 6.00 Grampian To-day. 12.10 a.m. Reflections. 12.15 Grampian Late Night Headlines ... with Harry Secombe.

GRANADA

12.30 p.m. Whose Baby? 1.20 This is Your Right. 2.25 Tandarra. 3.50 Mr. and Mrs. 5.10 This Is Your Right. 5.15 Crossroads. 6.00 Granada Reports. 6.30 University Challenge. 12.10 a.m. Theatre Macabre.

HTV

12.30 p.m. Whose Baby? 1.20 Report West Headlines. 1.25 Report Wales Headlines. 2.00 Houseparty. 2.25 Randall and Hopkirk (Deceased). 3.50 Mr. and Mrs. 5.15 Lotsa Lotsapoppers. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Children of the Stones. 11.40 The Collaborators.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 p.m. Penawdau Newyddion Y Dydd. 4.20 Miri Mawr. 4.35-4.45 Un Tro. 6.00-6.15 Y Dydd.

HTV West—As HTV General Service except: 1.20-1.30 p.m. Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

12.30 p.m. Whose Baby? 1.25 Road and Weather Report. 2.00 Houseparty. 2.25 Jason King. 3.50 Mr. and Mrs. 5.15 Pipet and his Friends. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Battle of the Comics. 11.40 Late Call. 11.45 The Big Break.

SOUTHERN

12.30 p.m. Whose Baby? 1.20 Southern News. 2.00 Houseparty. 2.25 Jason King. 3.50 Mr. and Mrs. 5.15 Popeye. 5.20 Crossroads. 6.00 Day by Day. 12.10 a.m. Southern News Extra.

TYNE TEES

9.25 a.m. Starting Point. 12.30 p.m. Whose Baby? 1.20 North East News and Lookaround. 2.00 Women Only. 2.25 The Collaborators. 3.50 Mr. and Mrs. 5.15 The Brady Bunch. 6.00 Northern Life. 11.40 Arabs and Israelis. 12.10 a.m. Epilogue.

ULSTER

12.30 p.m. Whose Baby? 1.20 Lunchtime. 2.25 Big Valley. 4.18 Ulster News Headlines. 3.50 Mr. and Mrs. 5.15 Circus. 6.00 Ulster Television News. 6.30 Reports. 11.40 Gardening To-day. 12.10 a.m. Bedtime.

WESTWARD

12.25 p.m. Gus Honeybun's Birthdays. 12.30 Whose Baby? 1.20 Westward News Headlines. 2.25 The Champions. 3.50 Mr. and Mrs. 5.15 Survival. 6.00 Westward Diary. 10.28 Westward Late News. 11.40 Faith for Life.

YORKSHIRE

12.30 p.m. Whose Baby? 1.20 Calendar News. 2.00 Boney. 3.50 Mr. and Mrs. 5.15 ... And Mother Makes Five. 6.00 Calendar (Emley Moor and Belmont editions). 11.40 Police Surgeon.

RADIO 1 247m

(S) Stereophonic broadcast

5.00 a.m. As Radio 2. 7.00 Noel Edmonds. 9.00 Tony Blackburn including The Golden Hour. 12.00 Paul Burnett including 12.30 p.m. Newsbeat. 2.00 David Hamilton (S) (also on VHF). 4.31 It's O.L.T. (S). 5.45 Newsbeat. 6.02 John Gunn (S). John Peel (S) (also on VHF). 12.00-12.05 a.m. As Radio 2.

RADIO 2 1,500m and VHF

6.00 a.m. News Summary. 6.02 Colin Berry (S). Including 6.15 Pause for Thought. 7.02 Brian Matthew (S) including 8.27 Racing Bulletin, 8.45 Pause for Thought. 10.02-11.30 Pete Murray's Open House (S) including 10.30 Waggoners' Walk. 11.30 Jimmy Young (S). 1.30 p.m. Sports Desk. 1.45 David Hamilton (S). 2.02 David Hamilton (S) (as Radio 1 but including on 1500m only also 2.00 Scotland) 2.45 and 3.45 Sports Desk. 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S) including 5.45 Sports Desk. 6.45 Sports Desk. 7.02 One Man and His Chaps (S). 7.30 Songs That Made The Rails. 8.02 Listen to the Band with Charlie Chester (S). 8.30 Diane Something Simple (S). 9.02 Command Performance (S). 10.02 Sports Desk. 10.05 Alan Ainsworth and the BBC Radio Orchestra (S). 11.02 Dan Castleton with The Late Show. 12.00-12.05 a.m. News.

RADIO 3 464m, Stereo & VHF

6.55 a.m. Weather. 7.00 News. 7.05 Your Mid-week Choice, part 1 (S). 8.00 News. 8.05 Your Mid-week Choice, part 2 (S). 9.00 News. 9.05 This Week's Composer: Ives (S). 9.50 Organ Music (S). 10.35 Harmonies: Guitar and Harpsichord (S). 11.20 Brahms piano recital (S). 12.20 Bath Festival 1976, part 1 (S). 1.00 News. 1.05 Bristol Lunchtime Concert (S). 2.00 Concert, part 2: Mozart (S). 3.00 News. 3.05 Concert Hall (S). 4.00 New Records (S). ... 5.45 Homeward Bound. 6.05 News. 6.10 Homeward Bound (continued). 6.30 Life Lines: Language and Communication. 7.30 Handel from Salzburg (S). 8.05 The Arts Worldwide. 8.25 Gunther Schuller's Violin Concerto (S). 9.20 Scientifically Speaking. 9.40 Music from Pebble Mill, part 1: Janacek, Shostakovich (S). 10.35 Conflict of Opinion. 10.45 Concert, part 2: Debussy. 11.25-11.30 News.

Radio 3 VHF only—6.00-6.50 a.m. and 5.45-7.30 p.m. Open University.

RADIO 4

434m, 330m, 285m and VHF

6.00 a.m. News. 6.10 Farming Today. 6.25 Prayer for the Day. 6.45 Today. 6.45 Up to the Hour. 7.00 Today including 7.45 and 8.45 News. 8.35 Yesterday in Parliament. 9.00 News. 9.05 The Living World. 9.35 Parents and Children. 10.00 News. 10.05 In Britain Now. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Thirty-Minute Theatre. 11.35 Wildlife. 12.00 News. 12.02 You and Yours. 12.27 The Burkiss Way (S). 12.55 Weather; programme news; VHF (except London and S.E.) Regional News. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour (from 2.00 including 2.00-2.02 News). 2.45 Listen with Mother. 3.00 News. 3.05 Afternoon Theatre. 4.00 News. 4.05 Enquire Within. 4.15 Story Time. 5.00 PM Reports. 5.40 Serendipity. 5.55 Weather; programme news; VHF Regional News. 6.00 News. 6.15 Financial Report: VHF Regional News. 6.30 Just a Minute. 7.00 News. 7.05 The Archers. 7.20 Checkpoint. 7.45 The World Tonight. 8.00 The Pharaoh's Nightmare (Britain's oil and gas). 8.45 The Serenity To Calm My Passions—the story of Benedict Spinoza, the Dutch philosopher. 9.15 Beverley Nichols' Children's Books. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.45 A Book At Bedtime. 11.00 The Financial World Tonight. 11.15 Today in Parliament. 11.30 News. 11.45 For Schools (VHF only).

BBC Radio London

206m and 94.9 VHF

6.00 a.m. As Radio 2. 6.30 Tony Fish with Rush Hour. 9.00 Personal Choice. 9.30 Richard Vaughan with London Life. 11.03 Jerry Thompson and Diana Rice with In Town. 12.03 p.m. Call In, including 12.03 London News Desk. 2.03 Paul Owens with 206 Showcase. 4.03 Jerry Thompson with Home Run. 6.10 John Toothed with Home Run. Look, Stop, Listen. 7.30 Jenny Thompson and Diana Rice with In Town. 8.30 ... 10.03 Late Night London. 12.00 Close: As Radio 2.

London Broadcasting

261m and 97.3 VHF

5.00 a.m. Morning Music. 6.00 "A.M." — breakfast-time show. 10.00 Brian Hayes. 1.00 p.m. Newswatch. 3.00 Newsbreak. 4.00 Jazz in Stereo. 9.00 Nightline. 1.00 a.m. Nightwatch—news every half-hour through the night.

Capital Radio

194m and 95.8 VHF

4.00 a.m. Breakfast Show. 9.00 Michael Aspel. 12.00 Cash on Delivery. 3.00 p.m. Roger Scott's Three O'Clock Thrill. 7.00 London To-day. 7.30 Open Line ... Your Mother Wouldn't Like It. 11.00 Tony Myatt's Late Show. 2.00-4.00 a.m. Night Flight.

F.T. CROSSWORD PUZZLE No. 3,313

ACROSS

1 Trivial measure taken against fish (8)
5 Study drawing back against ... (6)
9 ... accountant getting favourite to admit foreign capital (6)
10 Looked to be raised to uncommon status? (6)
11 Hundreds pouring out of house (8)
12 Hunter following drink (6)
14 Don't impede progress of resistance in each team (5, 5)
18 Jack Sprat couldn't go on arguing (4, 3, 3)
22 Not that one gives drink to female (6)
23 Get rid of stockings in tube going like blazes (4, 4)
24 Fashioneble snobbery within (6)
25 Fish I catch in baby's carriage (8)
26 Classes given information on time (6)
27 Help join the Quakers (8)

DOWN

1 Notice in features comes to the front (6)
2 Bird turns up like this over quarry (6)
3 Tiny might tell it another way (6)
4 Not always taking ages (3, 3, 4)
6 Charge too difficult to understand (8)
7 What goes round mine could give one a roasting (6)
8 Local worthies are out of the wood (8)
13 Nullify what patient consumed (10)
15 Sidney Carton initially wrote an article full of invective (8)
16 Throw away plane—it upset my hoy (S)
17 Companion brings a pussy-foot closer (8)
19 Kind of scorn about eastern Slim controller (6)
20 Piano with lightweight spring (6)
21 Struck like an earl (6)

Solution to Puzzle No. 3,312

L	I	T	A	N	Y		S	C	R	A	P	P	E	D
T	U	R	N	S	T	I	L	E		T	R	U	M	P
T	R	A	I	N	E	R								
C	O	M	E	L	I	N	E	S	S		I	S	L	E
O	U	T	R	E		O	A	S	T	H	O	U	S	E
S	A	U	T	I	N	G		R	E	P	E	A	L	

APPOINTMENTS

CONTRACTS AND TENDERS

LEGAL NOTICES

COMPANY NOTICES

EDUCATIONAL

EXPORT

TRAVEL

مكتبة الأصيل

[illegible] Quilley in the Royal Shakespeare Company's production of [illegible] new Peter Nichols' play 'Privates on Parade,' which opened last night at the Aldwych

Leonard Burt

Television

How it will seem

by CHRIS DUNKLEY

It would be difficult to praise too highly the person—presumably producer Christopher Burstall—who made last week's *Omnibus* an BBC1 unique in the annals of fine arts programmes: every time a painting was selected for discussion this programme started by showing us the whole of it.

The standard anti-communicative practice, as we know too well, is to start by filling the screen with an enormous enlargement of some peripheral detail from the painting such as the buckle on the collar of a dog in the background, and then to zoom in to even bigger closeup, creating a more and more distorted enlargement until the screen is filled by a meaningless blur. Often it is only incidentally that the actual subject of the work is divulged at all.

Omnibus started its study of each painting with a good look at the entire canvas, photographed as big as the screen would allow, and from straight ahead. Nothing could be more *informative about Velazquez's pictures.*

In other respects the programme was less praiseworthy. It suffered from a belief in the TV current affairs slogan "Never use one expert when four or five will do," and also from the dryness and the studiedly urbane and ever polished tones of those experts. Lord Clark has a lot to answer for, as well as a lot to be proud of.

More of the honest and catchy enthusiasm of Burstall himself (as when he wandered in front of the camera to inform us engagingly that this was *his* first real look at Velazquez) would have been preferable to much of the academic analysis in donnish syntax delivered by the Experts.

Yet it was still a highly informative and valuable programme, particularly for those of us who have never yet managed to make it to the Prado.

In addition it set up a train of thought about the rest of the week's television: here were we, in 1977, using paintings produced in the 17th century to form opinions and reach conclusions about society and events as they were 350 years ago. Another 350 years on, in 2327 AD, will men look at to-day's fine art with any hope of being similarly informed?

It hardly seems likely. After all, a pile of loose bricks is presumably not even intended to last that long, and would be

The Entertainment Guide is on Page 10

supremely uninformative if it did. The whole of abstract art is pretty unenlightening in any social or historical sense outside the realm of pure aesthetics.

No, the material that will do for our descendants, 14 generations hence, what Velazquez does for us will surely be to-day's factual television programmes. *Goodness knows* what 2327 man will make of it if he goes to the archive and gets out the package of factual programmes for this past week in 1977—but he will certainly get quantities of materials.

At one end of the scale he will find some of my colleagues from this page describing in BBC 2's *The Lively Arts* the working life and purposes and effects of our music critics. They come across as a hard working, well intended, but deadly serious lot.

At the other end of the scale—though from the same channel on the same night—he will find, a classic mid 20th-century travelogue called "Jangadeiros," transmitted by *World About Us*, showing beautiful pictures of the sailing-raft fisherman of Brazil, accompanied by one of those absurd *Look At Life*-style commentaries ("The music of the sea needs no rehearsal") which told us that it is a disappearing way of life, of course, because there are now laws against lobster fishing, though we were never told why.

Of rather more significance to us, but possibly of less importance to him, our inquisitive man of the 24th century will find episodes from two BBC 2 series which cannot really be described as entirely "factual." They are attempts at summarising our understanding to date of two large areas of knowledge (or ignorance, according to your view) and are to a greater or lesser extent opinionated: first, Galbraith's account of economics and life in *The Age of Uncertainty*; and second, *BC* in which Magnus Magnusson is investigating "the archaeology of the Bible lands."

Unsurprisingly both series have attracted very snotty reactions from experts and academics who have not been included in the programmes, yet both series are fascinating to the layman. This layman at any rate.

The Galbraith series has taken a disproportionate amount of stick for overlarding its mixture of illustrative effects. Although they have indeed been overdone at times (this week's Busby Berkeley tribute was masterly but distracting) this is, after all, television and not a Harvard lecture theatre. More important, as it is now emerging, is what seems to be the unbalancing American bias of the series which sets up all sorts of nasty suspicions in one's mind.

Yet when all's said and done it is an attempt to do for economics—the Western religion of the mid-20th century (now being replaced by socialism)—what Clark did for fine art, and there are few enough of such attempts, goodness knows. Our student of 2327 will look a long time for anything comparable.

It is an engrossing and informative series, and just as it can be stated as a general rule that any opinionated programme is more interesting than any unopinionated programme, so it can be said that *The Age of Uncertainty* is very much more watchable accompanied by the expression of Galbraith's beliefs (whether or not you happen to agree with them) than it would be without them.

The same goes for *BC*, even though Magnusson's opinions may be harder to detect. He has a nice line in almost hidden irony, as in his expressionless statement that "Joshua's strategy [at Jericho] was addled: he marched round and round the walls in silence for six days. . . ." For those of us who have always seen Bible stories in the same light as *The Idylls of the King* or *Robin Hood*, the surprise has been not the failure of archaeology to throw up more evidence but, on the contrary, the extent to which it seems to bear out Biblical accounts.

However, the three programmes which would probably concern our man of the future most would be a BBC1 documentary called *The Regiment*; London Weekend's documentary reconstruction *18 Months To Balcombe Street*; and Granada's second venture into reproduction cabinets in their *State Of The Nation* series.

The Regiment, one of a log-jam of BBC documentaries which have been queuing for screen time, looked at the Royal Green Jackets and showed how a modern professional army, lacking the inspiration and occupation of an all-out war, holds together by impressing its men with the institution itself. (Like the BBC.) It also showed the startlingly old-fashioned class structure of the Army, and scared over most other forces documentary by actually talking about killing people. That it reminded one powerfully of Frederick Wiseman's *Basic Training* is highly complimentary since Wiseman's film is superb.

In an odd contrast, *18 Months To Balcombe Street* failed to advance the understanding of the 1977 viewer and will fail to tell posterity anything very new about the 1976 London bombing campaign by the Green Jackets' nastiest opponents, the IRA, mainly because it could not convey the protagonists' personal reasons for wanting to kill.

The compression of events into one programme did emphasise the frightening ease with which a tiny group of hostile madmen can terrorise the rest of the members of a relatively free society. But it could not tell us the whys or the wherefores — could give us no more idea of individual motivation or belief than the newsreels, because it played by very strict rules: when actors personified the bombers in their haunts, the soundtrack contained only verifiable material (TV and radio newsreels of the day, the reading of the McWhirter document, etc.) or totally insignificant "rhubarb" conversation.

A bomb-maker in 'Eighteen Months to Balcombe Street' (London Weekend)

On the other hand, the *State Of The Nation* reconstruction by Brian Lapping, Norma Percy and Charlie Nairn of the Cabinet wrangles over the IMF loan was, like its predecessor detailing the Chrysler deal, compelling stuff precisely because personal viewpoints were delineated. Again eight political journalists panled their knowledge and re-enacted the crucial meetings.

This time the sad condition of Anthony Crosland hung over events, yet the decision to transmit was utterly right because Crosland (represented by Peter Jenkins of The Guardian) emerged, as his admirers would expect, head and shoulders above the rest of the Cabinet as a politician and a man.

The only trouble with these programmes is that in their understandable determination to avoid the majestic and having put the lid on the whole idea, politicians tend to be shown as altogether too consistently articulate and coherent. They are nevertheless far and away the most interesting political programmes on television and, if past Cabinet papers are anything to go by, will prove in 2327 to be a good deal more informative than the official record.

Brian Lapping as the Velazquez of 1977 is an odd idea, yet the parallel is there: each has portrayed the people at the centre of power politics in his own society.

[illegible]nd House

Salomé

by MICHAEL COVENEY

[illegible]ar Wilde's *Salomé*, first [illegible]rmed in French in 1893, has [illegible]d more than a source of [illegible]ation for Massenet and [illegible]rd Strauss; it has become [illegible]h point in the history of [illegible]exual art this century. [illegible] Beardsley illustrated the English edition translated [illegible]ord Alfred Douglas, and [illegible]e Lindsay Kemp Company [illegible] their extraordinary visual [illegible]s to bear in a show that [illegible]tainly Beardsley-esque in [illegible] but also a combination [illegible]dian dance, kabuki and [illegible]h mime.

[illegible]ut a third of Wilde's wards [illegible] David Haughton's [illegible] incorporates the capmovement in a way that only [illegible] the prophet Jokanaan [illegible]d by Mr. Haughton himin the form of a human descending languidly from [illegible]y to be stripped of his [illegible]rs. Near-naked attendants [illegible]rod's palace tread solemnly [illegible]gh the auditorium in [illegible]s shades of body paint, [illegible]ring the feathers as they [illegible]Lindsay Kemp enters as [illegible]é at the top of a tall, multi[illegible] stairway to the accom[illegible]g tune of "La Paloma." [illegible] in a dazzling dress, his [illegible]overed in a riot of painted feathers.

[illegible]mé's mother, Herodias, is [illegible]-headed Queen of the [illegible] with huge, bare bosoms [illegible] the bitchy vocal delivery [illegible] Incredible Orlando, an [illegible]ving contempt for Herod's [illegible] interest in her winsome [illegible]er. As in all Mr. Kemp's [illegible] there is a throbbing, per[illegible] sexuality in almost [illegible]ing that happens. This [illegible]urrent comes to the fore [illegible]ppropriately banal effect [illegible] Salomé's cabaret, which [illegible]ly, on this occasion, the [illegible] of the seven males. Mr. [illegible] is ceremoniously stripped [illegible] to a spangled body-stock[illegible]at might have been worn [illegible]wie in his Ziggy Stardust [illegible] For five astonishing min[illegible] Mr. Kemp twirls flat[illegible]ly on the spot, register[illegible]s usual facial expressions [illegible]pe, despair, panic and [illegible]ability.

Although a mime earlier in the evening prefigures the beheading of Jokanaan, when Salomé actually demands the sacrifice on a silver salver, Jokanaan is led passively on and, having adopted a Saint Sebastian pose, is symbolically murdered by a flurry of spears. Wagner comes swelling up on the soundtrack as Herod orders that Salomé and crush her to death with mirrors. The music still plays while the Company take an elegiac, restrained curtain call.

The show fills the Round House with colour, sound and movement in a way that only the Grand Magic Circus could rival. Mr. Kemp dominates the proceedings with his inimitable charm and muscular whimsy, enjoying strong support from Neil Caplan, Michael Matou and, as a strangely eccentric and lavishly attired Herod, Vladek Sheybal. Not a family show, perhaps, but one that should appeal to all London theatregoers in search of the bizarre and commitedly sensuous.

Royal visit to Milton's cottage

Queen Elizabeth the Queen Mother is to visit Milton's Cottage in Chalfont St Giles on the afternoon of Wednesday April 6. She will learn at first-hand details of the restoration plans for the cottage.

The Queen Mother's visit follows the launching in January of "The Friends of Milton's Cottage." The cottage — now nearly 400 years old—is the only existing home of John Milton. It was purchased in 1887 by a group of local people with the proceeds of a jubilee fund with Queen Victoria heading the subscription list.

The present *trustees* are making a major effort to meet the costs of restoring the cottage and renovating the valuable collection of books and relics housed there.

Wigmore Hall

Hungarian Capricorn

by DOMINIC GILL

Far too little of the best new Hungarian music is heard in this country; so it was a specially to be warmly welcome of the enterprising Capricorn ensemble to put together a programme on Monday consisting entirely of 20th-century Hungarian chamber works. Their choice of programme, inevitably limited by practical considerations of scoring and ensemble, may not have been able to please all tastes: but it was a sensible and on the whole an adequately representative selection, imaginatively planned, and well worth the airing.

The only substantial cause for regret was the omission of any recent works by the younger and more adventurous experimental school, which centres mainly (though not exclusively) in Hungary around the activities of the Budapest New Music Studio—an informal group of young composers and performers, cautiously tolerated rather than warmly supported by the Hungarian musical establishment, which nonetheless has produced, and continues to produce, some of the most bold, imaginative and high-spirited new music to be heard anywhere in Europe to-day.

László Sáry (b.1940) is one of the Studio's senior founder members: but Capricorn chose for their programme only one of his earlier works, *Image* for clarinet, cello and piano—a delicate and beautifully scored confection of 1960s manners, which treats the piano equally as a plucked and a percussion instrument, and describes in 10 short minutes a remarkably distilled and complex sequence of instrumental conversations.

A sequence of Kodály songs dating from the 1920s was likewise early and untypical—four short art-songs which could (and in other guises certainly were) turned out by virtually any salon composer between 1880 and 1930, here capably (though somewhat less than fulsomely) delivered by Josephine Nandick. *Antinomia* too by Sándor Balassa is a pleasant essay for soprano, clarinet and cello, cleanly written, sprung with some interesting detail—but not, perhaps, the most characteristic piece from the composer of the brilliant *Quartetto* for percussion, *Lupercalia* for woodwind and brass, or the impressive orchestral *Iris* and *Tabulae*.

The evening's new work, *Musica da Camera* no. 2, subtitled "Capricorn Music" and dedicated to the ensemble, was by József Soproni (b.1930). Another worthy composition, carefully and thoughtfully scored, divided into three parts entitled "Preface," "Bell-music" and "Wave-music," in all about 12 minutes long—and mildly disappointing: for a certain lack of sharp focus, firm cohesion and outspoken individual character. More immediately striking was *Rhymes* (for piano, viola, cello, clarinet and flute) by Soproni's contemporary István Láng—an exuberant piece in 11 "mosaic-like sections" strictly organised in Bartókian arch-form, which used shifting tonal centres to create a nice dramatic tension, and subsided into a rather beautiful Bartókian coda, a slow tread in muted colours.

Elizabeth Hall

Brendel's Beethoven

by NICHOLAS KENYON

Alfred Brendel completed his cycle of the Beethoven piano sonatas on Monday. For those fortunate to attend the whole cycle it has been a remarkable journey: an oasis in the flat, contourless desert of this London concert season. For myself, since I reported on the opening recital nearly three months ago, I've heard playing of such acute penetration in some later recitals as to make a mockery of the reservations I expressed then.

Yet when he began the B flat Sonata Op. 22 on Monday it *seemed* that *the* old *doubts would* reassert themselves: the opening of each movement was tossed aside (the Adagio quite fast and expressionless) in order to make room for the powerful developments (the weird counterpoint of the Rondo, the dark trio in the Minuet)—though the climaxes impressed, the whole was unbalanced. A judgement which Brendel typically contradicted at once, with a perfectly etched account of the little G major Sonata Op. 49 No. 2; here he found room for playing of considerable harshness, but distorted and indeed stressed nothing in the neat shape of the piece.

It is Brendel's complete command of form which channels his dry, preoccupied waywardness into disciplined shape. When at his best, as in the Sonata "quasi una Fantasia," Op. 27, No. 1 (the *Moonlight*'s companion), he can make the whole linked structure of four movements seem no more than an intake and exhalation of breath. In *Les Adieux*, too, farewell, absence and return were all swept together into one vision—the leaping octaves have never seemed so despairing a picture of departure, the *Vivacissamente* finale so fraught and conflict-ridden a picture of return.

The same power of total intellectual comprehension informed the final Sonata, Op. 111. It was not an overwhelming performance at any moment, but it was precisely well-paced—*chillingly* so at times—in the pent-up tension reserved for the fugal section of the first movement and the groaning disintegration *of* the chords at the start of the coda. Neither was there a moment of slackness in the deep, controlled *Arietta*; it said no more and no less than the notes: that is, everything.

Orange Tree, Richmond

Audience/Private View

by MICHAEL COVENEY

It is swift and timely of the Orange Tree to present two short plays by the Czechoslovakian dramatist Vaclav Havel (in translations by Vera Blackwell). Havel is under arrest in Prague as a leading signatory of Charter 77. Havel is best known in this country for his satirical comedy *The Memorandum*; but these later plays bear subtle, often very funny, testament to the social treatment of anyone suspected, however slightly, of being a dissident.

In *Audience*, a head maltster interrogates a worker in the brewery who has written stage plays about office-workers and lives with an actress. Havel did, in fact, work in a brewery until recently. And the references in the play to Pavel Kahout and the actress Bohdalova support the general authenticity of the action. The language employed by the maltster is, as he opens bottle after bottle punctuated with brief exits to the toilet, increasingly ominous: "Get on with your job and stop mucking about with the other blokes;" "They are afraid of you;" "Who knows better than you what *they want* to know about *you*?" But the maltster is also a richly comic creation and Bill Wallis, plump, bespectacled and fawning, gives fine emphasis to the character's sanctimonious self-pity along the usual "Only doing my job, pal" lines. What an ugly, *discreet* menace such people are!

In *Private View*, the brewery worker, still played with almost self-effacing resignation by Gordon Reid, suffers a similar humiliation, but this time at the hands of a repulsive suburban couple whose home, complete with a real baroque confessional and a clock as loud and regular as Big Ben, is "a place with a face."

It is quite clear what they think of both his *writing* (or, rather, of the *fact* that he writes) and his politics. The wife, incisively played by Phillipa Gail, could have been written by Ayckbourn: "How is Eva? Has she learned a little bit about cooking?" The couple assume Vanek's sex life is terrible and offer to demonstrate "the things" they do: "Our marriage works."

Both plays have a savage edge fully honoured in the direction of Anthony Cornish. They not only reflect the sad political *condition* of Czechoslovakia. They stand, too, as a personal and beautifully achieved theatrical statement on the place, however small, of Big Brother in the lives of everyone even in seemingly democratic societies.

Soho-Poly

Elijah Disappearing

by B. A. YOUNG

The only discernible point that Snoo Wilson makes in *Elijah Disappearing* is his suggestion that Israel continues to war against Syria because Elijah said they must at the moment of his assumption into Heaven. "*Hit Syria hard!*" he *calls*, as, offstage, he climbs into the divine helicopter. The point is worth making.

Elisha has already established that when Elijah says something will happen, it will happen. If Elijah says that Ahab will be eaten by dogs because of his behaviour over Naboth's vineyard, then Ahab will be eaten by dogs, even if only in a figurative sense. If Elijah says that Jezebel will die by falling out of a window, so she will, propelled by three eunuchs and of course eaten by dogs at the end of her fall to fulfil the earlier prophecy.

Snoo Wilson updates the Biblical language (though he has the relevant passages beautifully read to us at each end of the play in King James's version), and partly updates the action. When Elijah and Elisha (Patrick Godfrey and John Shrapnel) are first met in the desert, they discover a dead fighter-pilot in the sand beside them—shot down by Syrians; and it is in this pilot's overalls that Elijah departs, having bequeathed his magic cloak to Elisha.

Ahab and Jezebel (Hugh Fraser and Carole Hayman) *appear* in a little domestic scene where Jezebel provides a temple prostitute (Megumi Shimanuki) to give her husband some feast-day enjoyment. The holiday is spoiled when an angry Elijah intrudes and curses the pair of them over the Naboth business, though not before Miss Hayman and Miss Shimanuki have combined in an entrancing oriental *pas de deux*.

Mr. Wilson is his own director, and the designs, which include a pretty Teddy Calf in gold, are by Gemma Jackson.

Maconchy's 70th birthday

The composer Elizabeth Maconchy, who was made CBE in the New Year's Honours list, celebrates her 70th birthday on March 19. Three new works are promised for the coming months. On April 23 the Essex Youth Orchestra will perform a new piece at the Chelmsford Civic Centre. At the Aldeburgh Festival in the summer, Osian Ellis will introduce Three Pieces for Harp

Finally, at Goldsmith's Hall on November 15, the City Music Centre will present the Lindsay Quartet in Miss Maconchy's String Quartet No. 11—a reminder that although her work has covered many forms, this composer's particular love is for chamber music.

EUROPEAN NEWS

Right-wing extremists arrested in Spain

By Roger Matthews

MADRID, Feb. 22.

IN TWO important political developments in Spain to-night the request by the Communist Party to be legalised was passed to the Supreme Court for a decision and police announced they had discovered an arms factory in Madrid and arrested 11 extreme Right-wingers.

The central committee of the Communist Party was informed by the Ministry of the Interior that its request for legalisation had been denied on a prima facie examination of its articles of constitution.

Under a recently announced law the Supreme Court has 30 days in which to pass judgment. Basically it has to decide whether the Communists infringe that section of the Penal Code which forbids any party that has totalitarian aims and is subject to international discipline.

The police statement revealed that Sr. Sanchez Covisa, the leader of the extremist "Guerillas of Christ the King," together with another Spaniard, eight Italians and a Frenchman had been arrested for their involvement in an arms factory in Madrid capable of turning out 50 weapons a month.

When police raided an apartment they found machinery for assembling weapons and several partly completed sub-machine guns along with explosives and electronic equipment for triggering bombs. Several gold ingots were also found in a Madrid bank security box that was destined to finance the international group's activities. Late last week informed sources said police were about to make an important announcement about investigations into an international "fascist" operation that was centred on Spain and had been importing gun parts under the guise of scrap metal.

The release of two top officials held hostage by an extreme left-wing faction and to-night's move against the extreme Right should help re-create a sense of calm the loss of which had at one time seemed to threaten the country's move towards a more democratic system.

Minister of Finance, Sr. Eduardo Carriles, to-night repeated the broad lines of the Government's economic policy but failed to announce the expected list of specific measures. The absence of precise measures is understood to reflect divisions in the Cabinet.

The one positive commitment made for the first time publicly by a Minister of Finance was that the banking community would have to be prepared to admit a number of "foreign financial entities into the Spanish market."

EEC steel output shows big increase in January

BY DAVID BUCHAN

BRUSSELS, Feb. 22.

STEEL PRODUCTION in the EEC last month totalled 10.7m. tonnes—up substantially from the 9.9m. tonnes of December (a period always affected by holidays). This represents a 3.6 per cent. increase on January, 1976, for the EEC as a whole. The biggest individual rise was recorded by Britain, up 14.8 per cent. on January, 1976, while production in West Germany, Belgium and Luxembourg declined.

Brussels officials refute any suggestion that the figures indicate failure of the Commission's plan to restrict sales in the first part of this year. That plan is really concerned only with deliveries or sales, and not production or stockpiling. In any case, they say, the January production figure is well within the Commission's indicated production target of 32.15m. tonnes for the first three months of this year.

There are some signs that the mechanics of the EEC plan are now working. Targets for 92 per cent. (in volume) of the six steel products on which Brussels has asked companies to restrict sales have been accepted, with only a few minor quibbles. Even the West German producers, who were holding back, have accepted most of the reductions that Brussels has requested. The one major exception concerns reinforcing bars in relation to which the independent Italian producers (which account for nearly 60 per cent. of EEC bar production) refuse to comply with the guidelines.

However, the plan has had no discernible effect on the market. Prices have not improved, and Commission officials note an alarmingly high rate of price alignments or rebates. Under Community rules, steel companies must report price rebates to the Commission, and some of these have this month been as high as 50 per cent. off list prices. The BSC's decision earlier this month to cut 6 per cent. off some of its prices has not caused any worry here, because BSC has never indulged in rebating in the way that many continental producers have.

Short-time working continues to increase. Brussels officials estimate 6m. work-hours will be lost this month, compared with the record 7.3m. work-hours in December 1975. About 160,000 steel workers (over 20 per cent. of the total EEC steel work force) are working three weeks out of four. Officials here explain the apparent paradox of rising production and falling employment by the fact that a great deal of concealed unemployment in the steel industry last year is only now coming into the open.

Jenkins backs Andreotti policy

BY DOMINICK J. COYLE

ROME, Feb. 22.

FURTHER STRONG endorsement for the recently announced anti-inflation measures of the Italian Government came here to-day from Mr. Roy Jenkins, President of the EEC Commission, at the end of his two-day official visit to Rome.

The Government's steps had been "firm and courageous," he said, and implied that they were just about the limit of what was politically possible given the Christian Democrat Government's lack of a working majority in Parliament.

Mr. Jenkins said he personally regarded a reduction in Italy's inflation rate—some 20 per cent. last year—as more important than a sharp reduction in its balance of payments deficit. He expressed optimism that inflation would be lowered this year and further cut in 1978.

On at least three occasions during a Press conference here, the Commission President paid tribute to the fiscal and monetary policies of Sig. Giulio Andreotti's Government, although conceding that the measures taken so far "do not solve all of Italy's problems."

The Commission, he said, viewed with "sympathy" the Italian Government's difficulties. Economic remedies, in his view, had to take account of the political realities of the country. By implication at least, he was acknowledging that Sig Andreotti must persuade the powerful Communist Party to continue with its support in Parliament for economic measures if the minority administration is to survive.

On the projected Community loan of $500m. to Italy, Mr. Jenkins emphasised that the Commission as such shared the view of the Italian Government that this facility should not necessarily be linked directly to the further standby credit which Italy is currently seeking from the International Monetary Fund.

However, he gave the impression that the EEC Council of Finance Ministers did not take a similar view, and Community sources said later that they now expected the IMF and the Community loans would probably go through "more or less simultaneously."

The projected EEC facility is not, in fact, a new loan as such, since it is intended merely to replace part of an earlier loan package withdrawn by Britain last December as part of the U.K.'s own repayment arrangements for a major standby credit negotiated with the Group of Ten.

An IMF mission is due here next Monday in an effort to reach agreement with the Andreotti Government on the policies to be incorporated in Italy's letter of intent to the Fund, and these are certain to deal specifically with incomes policy and the need to set and hold rigid upper limits to the Treasury deficit throughout 1977.

Swedish shipyard plan attacked

BY WILLIAM DULLFORCE

STOCKHOLM, Feb. 22.

THE RESCUE plan for the Swedish shipbuilding industry presented yesterday by a Government-appointed group of experts has unleashed a storm of protest here from both shipyard management and unions. The objection most strongly voiced is that the group proposes to sacrifice yards outside the Gothenburg area in order to maintain employment in Sweden's second city.

The proposals would reduce yard capacity by 40 per cent. before the end of 1979, cost the State Kr.2.65bn. (£365m.) in capital spending and subsidies and would entail Kr.8.38bn. in State credit guarantees.

Critics have seized on the reservations voiced by a two-man minority within the group, Mr. Ingvar Trogen, managing director of the Uddevalla Shipyard, and Mr. Bo Ramfors, finance director of the State holding company, Statsföretag.

French car production threatened by dispute

By Robert Mauthner

PARIS, Feb. 22.

FRENCH car production may be seriously disrupted if a strike in a foundry in north-eastern France making essential castings is not settled soon.

The Eaton Manil foundry at Vivier-au-Court, in the Ardennes Department, a subsidiary of the U.S. Eaton Group, has a virtual monopoly in France of the particular type of castings needed for hydraulic brake and clutch systems.

The factory has been paralysed by strikes for some two months and, yesterday, its 600 workers, who are demanding wage increases inconsistent with the Government's economic stabilisation plan, occupied the plant.

Eaton Manil is the principal supplier of castings to Ducellier, Bendix, Air Equipment (DBA), itself a subsidiary of the American Bendix group, which also has a near monopoly of the manufacture of hydraulic brakes and clutches used by most of France's motor companies. But DBA has not received any deliveries from Eaton Manil for some three weeks and was yesterday obliged to lay off 800 workers at its Beauvais plant.

If a solution is not found quickly to the Eaton Manil conflict DBA will be obliged to lay off its entire 2,200-strong workforce at Beauvais and will probably also have to close down three of its other French factories, employing a total of some 1,400 workers.

The suspension of production at DBA would face France's major motor car manufacturers—Renault, Peugeot and Simca-Chrysler, with a serious situation. It is estimated that some 60 per cent. of total French car production and two-thirds of Renault's output alone would be affected in the long run. Though the car companies claim that there is no immediate danger, they are thought to have less than three weeks' supplies of the relevant components.

Previous stoppages at Eaton Manil, which has had an unhappy labour relations record probably because of its key role in the French motor industry, have led to the suspension of production of Renault 12 and Simca 1000 cars.

Ireland unions back pay pact

By Our Own Correspondent

DUBLIN, Feb. 22.

A NEW Irish national wage agreement was ratified as expected by a special conference of the Irish Congress of Trade Unions here to-day. The new agreement will incorporate a three months' pay pause, will run for 14 months and give increases of between £4 and £8.26 a week.

Its ratification was welcomed by the Minister for Labour, Mr. O'Leary, and the Government will now implement its promised tax cuts of £50m. and a job creation programme costing £56m.

Bonn rejects atomic waste site near East German border

BY NICHOLAS COLCHESTER

BONN, Feb. 22.

THE GOVERNMENT of the West German state of Lower Saxony to-day decided provisionally that the country's atomic waste should be buried at Gorleben, a village just five kilometres from the East German border. The spokesman for the Federal Government in Bonn, Dr. Armin Gruenewald, said at once that this site was unacceptable.

The entire West German atomic programme now hangs on the resolution of the question of the disposal of spent atomic fuel elements. Events and court decisions of the last two months have made it clear that it will be politically and legally impossible to grant another construction permit for a nuclear power plant until this matter is decided.

The Government feels that to-day's decision by Herr Ernst Albrecht, the conservative Prime Minister of Lower Saxony, is a tactical ploy to put the ball into the Federal Government's court. The Government points out that stations to monitor radio-activity will have to surround the atomic dump up to a distance of between 20 and 30 kilometres. Some of them would therefore be beyond the Iron Curtain.

Herr Albrecht has been put in a spot because Lower Saxony is the only state in Germany to have the massive, stable salt strata needed to bury radio-active refuse safely for 1,000 years. Five sites in Lower Saxony have been considered for the reprocessing plant and burial vaults, whose total cost is reckoned to be up to DM10bn. (£2.5bn.). But Herr Albrecht knows that he must reckon with strong local resistance to a decision for any of them. Already to-day, plans for a massive demonstration against the Gorleben site at the end of March were announced by the local action group.

It became clear to-day that the Government was already considering ways to break the deadlock over the atomic dump by taking some of the responsibility for the choice of site from Herr Albrecht's shoulders. A technical institute, which is part of the Bonn Economics Ministry, will now select a more suitable site. But Herr Albrecht will still have to decide whether to accept its final recommendation.

David Fishlock, Science Editor, writes from Vienna: More than 200 nuclear reactors, enrichment and processing plants, and other nuclear installations in the seven EEC countries which have no nuclear weapons, have been opened to international inspection, under a new safeguards agreement which has come into force this week.

This was announced here to-day by Dr. Sigvard Eklund, director-general of the International Atomic Energy Agency (IAEA), at a Board meeting of the 34 governors of the agency. Dr. Eklund described it as the most important event of the past five years in international efforts against the proliferation of nuclear weapons.

The new safeguards agreement—between Belgium, Denmark, W. Germany, Ireland, Italy, Luxembourg, the Netherlands, Euratom and the IAEA—has taken nearly six years to negotiate. It was signed in April, 1973, and ratified in March, 1975.

Britain, as a nuclear weapon state, is excluded from the safeguards agreement. But it has already volunteered to open its civil nuclear installations to safeguards inspection, under a bilateral agreement with the agency.

Fall in profits as a percentage of sales

BY OUR OWN CORRESPONDENT

BONN, Feb. 22.

AS A result of a confusion of pre-tax and post-tax profit, the Financial Times published figures in December that gave a false impression of the profitability of West German industry. The Industriekreditbank AG of Dusseldorf prepares a well-established compilation of cost and profit figures every summer. Some of them are reprinted here to clear up the matter.

The figures show the way in which pre-tax profit for small and medium-size West German manufacturing companies has fallen continually, as a percentage of sales, during this decade. This decline has been accompanied by a dwindling in the investment-sales ratio and by a tendency for such companies to increase their already high level of financial gearing.

Dr. Juergen Mees, a director of the bank, noted last August on presenting these figures that the preliminary assessment of pre-tax return on sales in 1975 yielded 3.4 per cent.—a low in the post-war period. He estimated then that, thanks to the recovery from recession, the equivalent ratio for 1976 would probably be up to about 4.5 per cent. He stands by that estimate to-day.

In publishing the table last year the bank warned that the figures were broadly spread around the average. For example, the sum of pre-tax profit and depreciation in 1975 equalled, on average, 7 per cent. of sales, yet only two-thirds of the 934 companies produced figures that lay between 0 per cent. and 14 per cent. One company in six produced a loss after depreciation in 1975.

KEY FIGURES IN PROFIT AND LOSS STATEMENTS OF SMALL AND MEDIUM COMPANIES IN W. GERMAN MANUFACTURING INDUSTRY, ALL EXPRESSED AS PERCENTAGE OF SALES

	1969	1970	1971	1972	1973	1974	1975*
No. of companies	1,537	1,537	1,840	1,840	1,840	1,840	934
Material cost	48.4	47.9	46.1	45.0	45.8	46.9	[illegible]
Personal cost	28.5	29.4	30.6	31.1	31.5	31.3	[illegible]
Depreciation	3.8	3.9	4.0	4.0	3.9	3.6	[illegible]
Pre-tax profit	6.0	5.3	5.2	5.2	4.1	3.5	[illegible]
Cap. investment	6.6	7.5	6.6	5.9	5.5	4.0	[illegible]
Share capital plus reserves as % of balance sheet total	34.2	32.7	34.6	34.2	32.9	31.8	

* Estimated

Optimism grows for Dutch wages peace

BY MICHAEL VAN OS

AMSTERDAM, Feb. 22.

THE UNIONS in the Dutch building industry, one of the two sectors worst hit by strikes, announced to-day that they are to resume talks with the employers to arrive at a wage pact for the year for this sector.

The decision follows an indication given by the employers to-day that the sides could meet halfway the union demand for a 2 per cent. real wage rise, employers having offered up to 1 per cent. so far, after which the unions asked their members to return to work. Before the talks, however, the employers will first assure themselves that strikes are indeed being ended.

The first contacts in the industry failed over the week-end, after which the unions stepped up strikes in the building sector this morning to add weight to their wage demands.

Employers and unions in the Dutch ports, the other area badly hit, are due to meet to-morrow to sound each other out on the possibilities of resuming the official wage talks. In these talks, the employers will have to raise their earlier bid of up to 1 per cent. to get the unions to ask their members to return to work.

This the employers are expected to do, faced as they are with a near total standstill in the non-oil part of Rotterdam, while activities in Amsterdam have been halved as a result of selective strike actions.

In the metal industry, Holland's largest industry and traditionally the sector with the highest wages, the two sides are also opening official pay negotiations, and the unions have called an end to strikes.

The general impression is that strikes will come to an end soon in all industries. The Dutch Social Affairs Minister, Mr. Jaap Boersma, also urged the unions to-day to suspend strikes during the pay talks. He was confident that a compromise on the unions' pay claim could be reached.

In the dairy and meat processing industries, where the cooling-off period ordered by a judge in Utrecht expired to-day, the unions announced that they had decided to drop new strike ultimatums.

GREEK POLITICS

Old hatreds not forgotten

BY OUR ATHENS CORRESPONDENT

THE OLD hatreds between Greek Communists and the country's traditional Right are far from forgotten and have led to a spate of violent incidents in Athens in recent weeks.

For the moment at least, the moderate Right is considered to be a somewhat passive silent majority, in contrast to the more vociferous and more organised Left, and with the Communists in particular. The confrontation is between more extreme Right-wing elements, composed of Monarchists and sympathisers of the fallen Junta on one side, and the Communist activists on the other.

It must be emphasised that Mr. Constantine Karamanlis, the Prime Minister, stands supreme. But at 70 years of age he cannot be expected to dominate the Greek political scene for ever. Minds are concentrating on next year's general election in which, on most detached assessments and certainly on the party's own expectations, the Communists are likely to make sizable electoral advances.

The party's electoral strength was probably greatly underestimated by the polls in November, 1974, since then there was a clear-cut choice between the discredited Junta and the consolidation of democratic rule, which had been restored only four months earlier by Mr. Karamanlis.

The Defence Minister, Mr. Evangelos Averoff-Tossitsas, has repeatedly stated that the armed forces are now loyal to the political leadership. He admits that there are still a few pockets of pro-Junta officers, but he emphatically excludes any possibility of a return of the army to the political arena, either through a coup, or from behind the scenes. The complex international problems which Greece now faces—the negotiations with the Common Market for full membership and the disputes with neighbouring Turkey over the Aegean — are considered deterrents to any officers who might wish to chance their arm.

In a recent interview, Mr. Spyros Theotokis, a former Minister under Mr. Karamanlis, said that leftward tendencies were increasing alarmingly and claimed that it might lead to the setting up of a popular front which could win the election. Mr. Theotokis, a Monarchist who was elected on the ticket of the ruling New Democracy party and resigned a few months later, accused the Government of being too tolerant of the Left. National interests could best be served by a return to Nato's military structure, which would also facilitate a settlement of the disputes with Turkey.

Mr. Constantine Karamanlis stands supreme but at 70 cannot dominate the political scene for ever . . . minds are concentrating on next year's general election in which the Communists are likely to make sizeable gains . . .

Although Mr. Theotokis may be overestimating Communist strength, many Greeks do agree that they may be the best organised political group in the country. Communist party associations won a landslide victory in this year's Athens student union elections, capturing 310 of the 527 seats and increasing their strength from 48 to 60 per cent. of the student voters. The Panhellenic Socialist Movement of Mr. Andreas Papandreou, also on the Left, came second with 102 seats (23 per cent. of the votes against 28 per cent. in 1976), followed by Mr. Karamanlis' New Democracy with 67 seats (13 per cent. against 16 per cent last year). The Union of the Democratic Centre of Mr. George Mavros won only 14 seats (dropping to 2.6 per cent. from 4.1 per cent.).

The Communists have also been able to gain control of trade unions, through which they can mobilise workers and instigate strikes. Like Mr. Papandreou, they are against Greece joining the EEC and a whisper campaign tells Greeks that in the Common Market they will only be the servants of the Europeans.

The Communists were outlawed in Greece for 27 years, giving them the halo of martyrs who were deported, exiled, and generally treated as underdogs. Realising which way the wind is blowing, artistes in the theatre and nightclubs are including anti-American acts in their shows. These are people with an acute sense of what the popular mood is.

With few exceptions, the Press has embarked on a campaign obviously intended to project the image of the ugly American. Journalists who suffered under the dictatorial régime seem obsessed with the idea that the CIA is behind anything and everything happening in Greece.

It is against this background that the extreme Right and Left are now fighting it out. Their feud reached a climax after the assassination last December of a former police superintendent, Evangelos Mallios, an arch-foe of the Communists. Mr. Mallios, who was free pending the hearing of an appeal against a two-year sentence for torturing political prisoners during the dictatorship, was shot in the street. His assassins have not been arrested, but an extreme Left-wing group calling itself "Revolutionary Organisation of November 17" has claimed responsibility for the assassination. The same group had also claimed responsibility for the assassination of Mr. Richard Welch, CIA station chief in Athens, in December 1975.

During Mr. Mallios' funeral, right wing elements staged demonstrations against the Government calling for a position against communism. Several newsmen were injured in the incidents. In the past months, offices of the Communist party and student organisations affiliated to it as well as bookshops selling Communist literature have been made the targets of bomb attacks. There have been no casualties, but police have so far not traced those responsible.

The Press has accused the police of being indifferent to growing right wing violence. In reply, the Minister of Public Order, Mr. Constantine Stamatis, has stated that there are no fewer than 239 offices of political parties and groups in Athens, 148 of them belonging to various shades of Communism. Giving them all round-the-clock protection would require about 700 policemen.

The present situation differs from that of the political upheaval in the mid-sixties which led to the military takeover in April, 1967, since the army is in no mood to take over.

Traditionally it is the shield against communism. Observers here point out, however, that Communist tactics have changed since the days after World War Two when they attempted to seize power by force of arms and plunged the country into three years of civil war. With memories of 1946-49 fading in people's minds, the Communists appear now to be working towards some day gaining power from within.

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AMERICAN NEWS

Rowlands talks out talks Falklands

Robert Lindley

BUENOS AIRES, Feb. 22.

TED ROWLANDS, Minister ...ate at the Foreign and Commonwealth Office, this morning began two days of exploratory talks with Argentine ...n Ministry officials here ...the possibility of re-opening negotiations on the Falkland ...s crown colony.

British Government statement released yesterday in ...loro Rivadavia, Argentina, Mr. Rowlands was changing aircraft there on his way to Buenos Aires, after five ...n the Falklands sounding ...e islanders, said: "In any negotiations, the broad ... affecting the future of the ... including sovereignty, have to be discussed."

...was the first time the ...t Government has admitted in so many words that ...ssibility exists of giving ...the Argentine claim of ...ignty over the Malvinas, ...Falklands are called here, ...gh Mr. Anthony Crosland, ...te Foreign Secretary, did ...as much on February 2 in ...ouse of Commons. Mr. ...od said then that "the ...ms come to consider ...er a climate exists for discussing the broad issues which ... the future of the Falklands."

...eally these broad issues ...be sovereignty question ...he alleged need for economic co-operation between the ...s and Argentina.

Spanish-language Buenos ...newspapers to-day seems ...re grasped the full significance of the British Government's latest statement, although ...d them published the full ...f the statement. A document signed by leading members ...Radical Party, now "in ..." like all legal political ...s here, published to-day by ...wspaper La Opinion maintained Mr. Crosland's February statement reflects the position of Mr. James Callaghan in ...y last year when the ...Minister (then Foreign ...ary) said that negotiations ...Argentina over the Falklands were "sterile."

...s the Callaghan statement prompted the withdrawal ...British Ambassador from ...ina and the Argentine ...ment's decision not to ...he Argentine Ambassador ...tain, who was then here, ...o London. The naming of ...mbassadors is a possibility ...lations are reopened. ...ther they are, of course, ...st be decided immediately. ...nday in Port Stanley, Mr. ...nds said: "We must sort ...r thoughts."

Mexican oil reserves 'far superior' to 60bn. barrels

MEXICO CITY, Feb. 22.

THE DIRECTOR of the Mexican State oil company Petroleos Mexicanos (Pemex), Sr. Jorge Diaz Serrano, has estimated the country's "probable" petroleum reserves as "far superior" to 60bn. barrels.

"If we are talking about proven reserves, that figure (60bn.) is exaggerated," he told a news conference. "Our proven reserves as of December, 1976, are 11bn. barrels.

"But if we are talking about probable reserves, it is estimated that the figure is far superior to the 60bn. barrels alluded to recently in the international Press."

Industry reports last week said that oil experts were estimating Mexico's reserves at "60bn. barrels or more." Calling the news conference to "clarify" those reports, Sr. Diaz Serrano said it was not yet possible to make definite estimates, as geological information is not yet complete, but "studies indicate that our probable reserves are greater" than 60bn. barrels.

With 60bn. barrels Mexico would have almost twice as much petroleum and gas as the United States, which has 35bn. barrels.

Sr. Diaz Serranos remarks, which marked a departure from Pemex's traditional reticence about making estimates of reserves, were clearly aimed at the world financial markets where Mexico will need to go to finance the $15bn. investment programme Pemex announced last December.

Mexico's plans to increase production and exports "will require important economic backing during the first three years" of the six-year programme, the Pemex director said.

According to a Pemex official, the company is currently negotiating loans in the U.S. and Europe for about $350m.

Pemex plans to export 1.1m. barrels a day by 1982, as against 153,000 b/d at present. By 1982 "Pemex will be as big as Venezuela is now—in terms of production and reserves," another high Pemex official said.

Venezuela has proven reserves of 18bn. barrels and produces about 3m. b/d of crude. Mexican production has just passed 1m. b/d.

UPI

Trudeau meets Carter

WASHINGTON, Feb. 22.

MR. PIERRE TRUDEAU, the Canadian Prime Minister, has told President Carter that while Canada endorses Mr. Carter's human rights objectives it prefers to work more quietly toward those goals without making headline news.

Mr. Carter and Mr. Trudeau met here yesterday when the Canadian Premier made a courtesy call on the new U.S. President and they planned to meet again to-day. Mr. Trudeau's visit comes during a period of few problems between the two countries. But a sharp difference in foreign policy strategy emerged during their first conversation.

Mr. Ivan Head, Mr. Trudeau's special adviser for international relations, who was present for the meeting, said President Carter had discussed his human rights initiatives and his intention to end the "linkage" strategy of Dr. Henry Kissinger, the former Secretary of State.

Under this strategy, every part of U.S. policy toward the Soviet Union is related to every other part. Mr. Carter has criticised Soviet treatment of dissidents while seeking to enrich detente in such areas as arms control.

Mr. Carter asked Mr. Trudeau for his opinion, and the Premier replied that he was encouraged by the U.S. interest in human rights, but Canada, for one reason or another, preferred to work more quietly.

UPI

Perez recalls U.S. envoy

BY JOSEPH MANN

CARACAS, Feb. 22.

VENEZUELA has recalled its U.S. Ambassador for consultation, it was revealed to-day, following the report in the New York Times, quoting U.S. intelligence community sources, that President Carlos Andres Perez had received payments from the Central Intelligence Agency during the early 1960s.

Asked to comment on whether diplomatic relations between Venezuela and the U.S. could collapse, President Perez said that his Government would follow the issue "to its final consequences" and asserted that Washington's responsibility in the matter was "undisguisable." He also described the CIA as a "band of bandits."

Venezuela relies heavily on petroleum sales to the U.S. and recently boosted output in order to satisfy unusually strong American demand for oil due to severe winter weather.

Sr. Ramon Escovar Salom, the Venezuelan Foreign Minister, has demanded a "complete clarification" of the CIA allegations from the U.S. Ambassador to Venezuela, Mr. Viron Vaky. The Government is now awaiting a response from Washington, which President Perez said would be "a definite test of the good intentions of President Carter."

Meanwhile, the Venezuelan Congress has approved the appointment of Sr. Juan Manuel Sucre Trias to succeed Sr. Carlos Perez de la Cova as the republic's Ambassador to the United Kingdom.

NYSE, Amex move closer to merger

By Jay Palmer

NEW YORK, Feb. 22.

THE NEW York Stock Exchange (NYSE) and the American Stock Exchange (Amex), the two largest and most important U.S. securities trading markets, are now believed to be extremely close to agreement on a basic blueprint for a merger.

Committees of the two New York City-based exchanges have been holding merger discussions on a daily basis since late last year and directors of both now quietly admit that most, if not quite all, of the original key differences have been settled.

"I am now firmly convinced that we can agree on a satisfactory merger formula within a short time," Mr. John Phelan, a vice-president of the NYSE said this morning. A spokesman for the exchange added that some kind of preliminary announcement could be made within a month.

Despite these obvious signs of increasing rapprochement between the NYSE and the Amex, no one doubts that considerable hurdles still remain in the way of a marriage. Even aside from remaining differences between themselves, the two exchanges must still convince Congress and the regulatory agencies that a merger is desirable.

Unconfirmed reports of merger talks between these two exchanges have surfaced with almost monotonous regularity over the past five or six years. It was not, however, until the Amex started trading options with such success that the NYSE started to appear really interested.

Warnke steps closer to arms control job

By Jurek Martin

WASHINGTON, Feb. 22.

THE SENATE Foreign Relations Committee to-day overwhelmingly endorsed the nomination of Mr. Paul Warnke as Director of the Arms Control and Disarmament Agency and Chief U.S. negotiator in the forthcoming Strategic Arms Limitation Talks (SALT) with the Soviet Union.

This vote, which had been expected, put a damper on this morning's activities in other rooms on Capitol Hill, where Mr. Warnke was being grilled by the more hawk-like members of the Senate Armed Services Committee. This Committee has no jurisdiction over the nomination, but had expressed concern over Mr. Warnke's reputation as a dove, and had asked for the opportunity to question him. Now confident that he will receive the necessary ratification by the full Senate, the Carter Administration saw no objection to Mr. Warnke appearing.

The confrontation was nonetheless fascinating. Leading advocates of a strong U.S. military posture—spearheaded by Senators Jackson, Tower, Stennis, Helms and Bartlett—bombarded Mr. Warnke with quotations from remarks he had made over the years which, they consider, render him unfit for the task ahead. Senators Jackson and Bartlett produced a list of 16 major weapons programmes which, they implied, Mr. Warnke had opposed. Mr. Jackson was at his most aggressive, a number of times caustically interrupting the responses and expressing his horror that the only strategic weapons development that Mr. Warnke said that he had supported was the Trident missile.

Above all, Senator Jackson showed his amazement at Mr. Warnke's contention that he would enter his new job with no "preconceived position." The Senator wryly noted that the nominee had been "a tireless advocate" in the arms control field and found it "remarkable" that he should have so suddenly changed, or abandoned, his past stances. Though occasionally visibly tense, Mr. Warnke remained largely unruffled. He said that he recognised the importance of U.S. military strength, but did not regard it as the ultimate tool of U.S. foreign policy. In that sense, he agreed, he was, or had been, "a fluttering dove."

PROTECTING THE SMALL U.S. TRADER

The dubious Magna Carta

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT, RECENTLY IN WASHINGTON

THE SMALL business lobby in Britain has long looked with envy at the protection small traders enjoy under U.S. law in their dealings with suppliers. The Robinson-Patman Act circumscribes the relationship between retailers and their suppliers in such a way as to make it very difficult for a big distributor to get the edge on his small competitor purely by virtue of his buying muscle.

At the very time when the British Government is considering referring to the Monopolies Commission the whole question of the discounts which manufacturers may give to their customers, the U.S. Department of Justice has produced a report which suggests that in some ways the Robinson-Patman Act is producing results which are the opposite of what was originally intended. Far from helping small shops, it is in some instances making it more difficult for them to compete with the big supermarket groups, while in most instances its effect on small companies is only neutral. Its general effect is to restrict rather than to encourage competition.

The Robinson-Patman Act is one of the keystones of American competition policy. In essence, it forbids anyone to sell at "unreasonably" low prices for the purpose of putting a competitor out of business, and it stops big retailers getting better terms from their suppliers merely because they are bigger buyers. Only when it can be shown that there are cost savings in selling to the large buyer or that the price was cut in response to a competitor's low price, may the manufacturer safely give one buyer better terms than another.

Thus, if the legislation was copied in Britain, it would be illegal for the bakers to give, say, Tesco bigger discounts on bread than the small independent shops, merely because of the big group's buying muscle. The independent retailer, who under U.S. law can take out a case against a company believed to be practising price discrimination, could argue that it was no cheaper for the baker to deliver to the High Street Tesco branch than to his shop down the road.

The Act also prohibits certain payments in lieu of brokerage, or the paying of any brokerage allowance to a broker who is also acting on behalf of a buyer. Thus, if a manufacturer uses a broker for part of his business, any discount to a customer who buys direct from the manufacturer may be considered "in lieu of brokerage." To complete the scheme, buyers are prohibited from knowingly charging or paying unlawfully low prices.

In its time, the Act seems to have caught virtually every major American manufacturer in its web and, as triple damages can be involved, that can be costly. Not surprisingly, it has always been controversial. At one extreme, its supporters have presented it as the "Magna Carta of small business." At the other end of the scale, its opponents have described it as a thoroughly discredited piece of legislation which, far from discouraging monopolies, has actually encouraged them.

Two years ago, as part of the U.S. Government's review of the laws which regulate business activity, the antitrust division of the Department of Justice produced two draft statutes which would involve the repeal or reform of the Robinson-Patman Act. Considerable public debate followed, and the Department began an in-depth study of the Act.

A Justice Department report concludes that the Robinson-Patman Act promotes high prices and encourages inefficiency.

Last month the Department produced its report, based partly on the series of hearings held by the Domestic Council Review Group on Regulatory Reform.

As the Department of Justice points out, the Act has to be seen in the context of the depression era when there was a deep seated belief that free competition was hopelessly inadequate to deal with the task of regulating the market place. Anti-big business feeling was running high, and small shopkeepers felt their livelihoods to be threatened by the growth of the big supermarket groups like A and P. Emotions were so strong that many Congressmen would have supported an absolute prohibition of chain stores.

In this atmosphere the Robinson-Patman Act was passed as an amendment to the Clayton Act. But, as the Department of Justice report shows, it has not always had the effect it was meant to. The Robinson-Patman Act, it says, fosters inefficient and costly distribution patterns which often hurt small business as well as consumers and even handicaps smaller retailers by restricting their suppliers' ability to help them to respond to competition from other shops.

The report concludes that the Act promotes high prices, makes it more difficult for companies to break into new markets and encourages inefficiency.

In the circumstances, it is perhaps surprising that the Justice Department does not come down more heavily in favour of repealing the Act. But the report was not meant to make hard and fast recommendations, only to stimulate discussion. It suggests that "serious consideration" should be given to the idea of repealing the Act but acknowledges that there are many who believe that a ban on discounts which bear no relation to cost savings is an important part of America's anti-trust laws. The House Small Business Committee, for example, strongly defends the Act on grounds of the need to protect small entrepreneurs and prevent distribution monopolies being established.

So, as well as suggesting that the Act could profitably be abandoned, the report also puts forwards various proposals for amending it so as to remove some of its more objectionable features.

Forty years after the Act was first passed, small business sentiment is still strong in America. Anyone taking up the proposals in the report might be thought to be attacking small business. Even the big retailers, many of whom would like a change in the law, tend not to make too much noise about it for fear of alienating public opinion. So it may be that there will be no immediate action on the report, though it may influence judgments in the courts.

For its part, the small traders' lobby in Britain acknowledges that the Robinson-Patman Act has grave limitations. Even so, some bodies like the National Food and Drink Federation which represents independent grocers in Britain, has been lobbying for years for some kind of legislation which would prevent the large supermarket groups getting better trading terms merely because they are buying in bulk. The Federation feels that while the Robinson-Patman Act has had some undesirable side effects, the idea of restricting discounts to where cost savings can be proved is one that should be incorporated in British law.

Given the mixed experience of other countries which have tried to legislate in this field, like Ireland and Australia, the British Government is hardly likely to want to hurry. But the Department of Prices is known to be considering referring the whole question of discounts to the Monopolies Commission following the Commission's comments on the way they were operating in the frozen food market. Any thorough investigation of the subject would involve looking at the Robinson-Patman Act.

Sadat increases pressure for moderation by PLO

BY MICHAEL TINGAY

CAIRO, Feb. 22.

PRESSURE ON the Palestine Liberation Organisation to bow to moderate Arab opinion increased to-day when President Anwar Sadat of Egypt said he believed the Palestinians and the Jordanians were both ready for the creation of a Palestinian state linked to Jordan. Even senior Palestinians were caught off guard by the remark and could only comment that "maybe this is under discussion."

Mr. Sadat's statement, made at a news conference with M. Louis de Guiringaud, the French Foreign Minister, who wound up a visit to the Arab world to-day, came shortly after he had said it was essential for a definite link to be established between a limited Palestinian state and Jordan prior to the reconvening of the Geneva peace conference.

Asked by journalists if he had some particular reason to believe the PLO would accept such links with Jordan, President Sadat replied: "It is for the Palestinians themselves to decide but I think from what I know that they agree to this." He added that he had discussed the same question with King Hussein of Jordan and the Hashemite monarch was also ready for this.

The Palestinians are now being rushed into a series of steps towards moderation. But it is not clear how far leaders like President Hafez El Assad of Syria and President Sadat have been speaking in advance of changes in the Palestinian position as part of the general pressure on the PLO in the run up to the Palestine National Council meeting, due to convene in Cairo on March 12.

Moderate Arab leaders like Presidents Sadat and Assad and King Khaled of Saudi Arabia face a complex task in bringing pressure on the Palestinians. Syria forced the PLO to talk moderation by physical force with the successful intervention in the Lebanese civil war.

The focus remains firmly on next month's Palestine National Council meeting, where Palestinians will decide whether they can change their national covenant implicity or explicitly to accept the existence of Israel. With pressure from Arab leaders, with Israel maintaining that any movement whatever on PLO representation at Geneva is conditional on changing the covenant, and with Washington waiting to judge where American interests lie, to-day's remarks by President Sadat merely emphasise how crucial the Palestinian meeting will be.

Ihsan Hijazi adds from Beirut: However, a difference of views appears to be emerging between Syria and Egypt on the Palestinians and their relationship to the Geneva conference. President Hafez Al Assad of Syria said yesterday that he saw no relationship between a reconvened Geneva conference and the setting up of a constitutional link between Jordan and the proposed Palestinian state in the West Bank and the Gaza Strip.

President Assad also said that he saw no benefit in the formation of a Palestinian government in exile at this point, something that President Sadat has repeatedly urged.

Informed sources in Beirut believe the basic disagreement between Cairo and Damascus is over Egyptian reluctance to go along with the Syrian proposal for a single Arab delegation to Geneva, including Palestinians and Jordanians. President Sadat has called on the PLO and Jordan to agree on sharing a team to the Middle East talks.

Japanese wage battle lines drawn

BY DOUGLAS RAMSEY

TOKYO, Feb. 22.

MANAGEMENT AND trade unions here have drawn the outlines of what promises to be a bitter fight over annual pay rises in Japan this spring.

Executives of 12 key industries here over the past few days been discussing the minimum 15 per cent. pay rise demanded by Sohyo, the general council of trade unions, which represents 51 member unions and 4.5m. workers.

Industry sources say the employers will probably start by insisting that wages should not rise faster than GNP (forecast at 6.7 per cent.) they would probably accept rises equal to those granted last spring, an average 8.8 per cent., which also matches the official inflation forecast for the year.

The unions, however, seem intent on winning two-digit awards for their members, largely because the real rise in the cost of living, 10 per cent. in 1976, still appears to be rising despite Government forecasts.

Domei, Sohyo's only major rival and the more moderate of the two union confederations, asked earlier this year for an average 13 per cent. rise in pay for its members. But Domei, as well as Sohyo, leaves final negotiations to the individual industries, so there are bound to be very wide differences in settlements according to the sector.

Indeed, one major reason for Domei's apparent caution is that it controls most of the shipworkers' unions (though not the seamen, who have their own autonomous, and highly radical, organisation), and the shipbuilding industry has already had to make major cuts in working hours and non-permanent employees.

The private railway workers, on the other hand, have asked for an average 17.2 per cent. increase, and last week began bargaining with the eight railway companies concerned. This marks an interesting departure from past practice, the talks having begun a month earlier than usual. Previously, railway workers began talks and ordered strikes and stoppages almost simultaneously because the negotiations traditionally drag on late into the spring—this year they appear concerned to start bargaining earlier and, possibly, avert industrial unrest.

Yadlin jailed for five years

TEL AVIV, Feb. 22.

MR. ASHER YADLIN, once nominated for the governorship of the Bank of Israel, was sentenced to-day to five years' jail and fined I£250,000 (£16,400) for bribery and tax evasion in a case which has seriously embarrassed Israel's ruling Labour Party.

Mr. Yadlin admitted accepting bribes on land deals while he administered the powerful trade union federation's sick fund. He said he accepted the money to help the impoverished Labour Party. The illegal payments were made before the 1973 general election.

Mr. Yadlin was sentenced as the Labour Party prepared to open its convention to-night ahead of Parliamentary elections scheduled for May.

Under an arrangement between the defence, the prosecution and the court, Mr. Yadlin changed his plea and pleaded guilty to five of seven charges. The prosecution is to decide how the other two charges are to be dealt with.

In court last week Mr. Yadlin said he had passed most of the bribe money and millions of other pounds obtained illegally to the Labour Party for its campaign fund.

He named several Labour Party leaders, including the late Finance Minister, Mr. Pinhas Sapir, the present Finance Minister, Mr. Yehoshua Rabinowitz, and his own cousin, Mr. Aharon Yadlin, the Education Minister. Both Mr. Rabinowitz and Mr. Aharon Yadlin have denied the allegations.

Mr. Yadlin told the court he handed the Labour Party I£80,000 (about £5,300) of the I£124,000 (£8,100) he was charged with receiving in bribes. He said he gave another I£44,000 to a woman he described as his girlfriend but whom the judge described as a business partner in land deals.

He also admitted non-payment of I£10,200 land improvement taxes.

Passing sentence, District Court Judge Mrs. Hadassah Ben-Itto said she did not believe Mr. Yadlin's claim to have paid part of the bribe money to the Labour Party, but added: "Even if he had done so, this would not have lessened his guilt."

Mr. Yadlin's attorney announced his intention to appeal against the judgment and sentence.

The affair, the latest in a series of scandals involving financial malpractices by other Labour Party associates and members during the past year, has embarrassed the party.

Its two-day meeting of elected delegates is to adopt a political platform for the election campaign and to-morrow night will choose between the Prime Minister Mr. Yitzhak Rabin and the Defence Minister Mr. Shimon Peres as leader.

Reuter

Amin 'can meet any challenge by neighbours'

By John Worrall

NAIROBI, Feb. 22.

PRESIDENT Idi Amin of Uganda said to-day that if necessary he "could meet a challenge from any of his neighbours in less than an hour." The statement, made in cables to Emperor Bokassa of the Central African Republic and President Mobutu of Zaire, appeared to refer to Kenya, Tanzania and Zambia, which he accused of "false and malicious propaganda."

Since the murder of Archbishop Luwum, the State newspapers of Tanzania and Zambia have lashed Amin for the reign of terror taking place in Uganda, and there is also evidence of a new freezing of relations between Kenya and Uganda.

To-day Uganda Radio accused Kenya said that Uganda had cut nications links between Uganda and the outside world.

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Lagos rebel musician held

LAGOS, Feb. 22.

FELA Anikulapo-Kuti, the Nigerian musician whose songs attack the country's military regime for its failure to help the poor, is in a critical condition from injuries sustained last Friday when military police overran and burned the artiste colony he directs, witnesses said.

Mr. Anikulapo-Kuti, 45, is being held in hospital under armed military guard barring entrance to all but hospital staff. His mother, who was pushed from a window, and his brother are also in hospital.

In a brief statement, military authorities claimed police were provoked by a member of the Kalakuta artists' colony who ignored a traffic officer and headed the wrong way down a one-way street. They said policemen were beaten and attributed the fire to a short-circuiting generator.

The incident coincides with mounting pressure on the Nigerian Government from student groups who have clashed with riot police, attacked Government property and are boycotting most classes.

UPI

Damascus University head killed

DAMASCUS, Feb. 22.

GUNMEN killed the president of Damascus University, a former Syrian Justice Minister, outside his office today. The assassination of Dr. Muhammed al-Fadel "by a criminal band" was reported by officials of the ruling Ba'ath Arab Socialist Party. They gave no details. Informed sources said that Dr. Fadel died in a burst of gunfire from two killers who escaped on a motorcycle.

Dr. Fadel, 58, was known throughout the Arab world as a leading lawyer and jurist. As a lawyer, he defended Palestinian commandos in Switzerland and Greece, and helped draft a constitution for a proposed federation of Syria, Egypt and Libya. He was a Justice Minister briefly in 1966, but had retired from politics and was not a member of the Ba'ath Party.

Reuter

Indian opposition vote split avoided

By K. K. Sharma

NEW DELHI, Feb. 22.

ANY HOPES the Congress Party might have had of the opposition breaking ranks disappeared yesterday with the closing date for the withdrawal of nominations. In an overwhelming majority of the 542 constituencies Congress will face virtually straight fights with candidates representing the Janata Party or its allies.

One of the main reasons for Congress successes in elections since independence has been the disunity of the opposition. The Janata Party has made elaborate arrangements with such parties as the Congress for Democracy (recently formed by Jagjivan Ram after he quit the Cabinet and the Congress), the Marxists, the forward bloc and local parties like the Dravida Munnetra Kazagham of Tamil Nadu and the Sikh Akali Dal in Punjab. The Janata Party will contest 391 seats, leaving 153 to its allies.

The Congress has made similar arrangements with the Communists in states like West Bengal and Kerala and with some local parties, so that the two opposed political groups are formally backing candidates in most constituencies. The total number of candidates has been greatly boosted by the very large number of independent candidates, some of them set up by the main parties as nuisance candidates to split the vote of their opponents, but on past experience, very few independents are likely to win while most of them will lose the statutory security deposit.

The Janata Party has asked the Chief Election Commissioner to appoint an all-party committee to monitor cases of violence and intimidation. "As the country is at peace and yet allegations of violence and intimidation are being buried around every day we cannot but deduce that there is some design behind these allegations. We fear that once again a false hysteria about violence will be built up and then urged to postpone or otherwise influence the elections," it said.

However, Mr. D. K. Barooah, the President of the Congress Party, to-day gave an assurance that there was not even "a remote possibility" of a change in the election schedule. He expressed confidence in a Congress victory, but also said that the party would "accept the poll verdict, whatever it is," and if it lost, would become "the President's loyal opposition."

Oil companies resume buying from Iranians

Some companies have resumed buying crude from the National Iranian Oil Company (NIOC) after stopping purchases last month because of the 10 per cent. price rise, Mr. Parviz Mina, a top NIOC official, was yesterday quoted by Reuter as telling the Iranian newspaper Kayban. He said these companies were now honouring their contractual obligations after dropping some of their demands. NIOC last month threatened to black list these companies but Mr. Mina said none was at present blacklisted.

Rhodesian bishop

A second black bishop has been appointed to the Roman Catholic Church in Rhodesia, where until three years ago all senior positions were filled by whites, Reuter reports from Salisbury. The new bishop is Father Tobias Chiginya, 42, a mission-born son of a tribesman who will succeed the Swiss-born Bishop of Gwelo, the Rt. Rev. Aloysius Haene.

China birth control

Chinese family planners at a recent National Forum on Family Planning called for improved methods of contraception to help slow population growth in what is the world's most populous nation, according to the People's Daily, Reuter reports from Peking.

Tanaka denial

Defence lawyers for former Japanese Prime Minister Kakuei Tanaka yesterday rejected prosecution allegations that he accepted a \$1.6m. bribe to boost the sale of Lockheed aircraft in Japan, Reuter reports from Tokyo. On the second day of his trial, the defence urged the court, without success, to order the prosecution either to revise or retract its statement made on the opening day of the trial on January 27.

OPEC oil price split remains, says Yamani

BY JAMES BUXTON

SHEIKH AHMED ZAKI YAMANI, the Saudi Oil Minister, said in Abu Dhabi yesterday that efforts to heal the split in OPEC have so far failed. The split, which occurred at last December's meeting in Qatar, was caused by the decision of Saudi Arabia and the United Arab Emirates to stick to a 5 per cent. oil price rise against the 10 per cent. adopted by the other 11 OPEC members.

"We regret that our colleagues in OPEC have not altered their position and we on our part have no intention whatsoever of increasing the price of our oil," he said on arrival for talks with UAE officials. But he said that Saudi Arabia would not oppose the holding of a special OPEC conference to try to resolve the oil price dispute, but it would have to be well prepared.

Sheikh Yamani said that Saudi Arabia was going ahead with plans to increase its oil production to meet world market demand, but this did not mean that it planned to flood the market with cheap oil.

Meanwhile, the Middle East Economic Survey (MEES) reports that Saudi oil production in January was about 1m. barrels per day lower than the level projected for the month, following the Qatar meeting. Daily production averaged 8.2m. b/d. The drop was caused by bad weather which reduced loading time at the Ras Tanura terminal by as much as 60 per cent.

After the Qatar meeting, Saudi Arabia lifted its 8.5m. b/d ceiling on production and envisaged achieving an average daily production rate of 10m. b/d during the first quarter of the year.

The principal beneficiary of the Saudi production shortfall has been Iran whose production reached averages of 5.1m. b/d towards the end of January—considerably more than was anticipated earlier in the month when output was running at less than 4.5m. b/d. The reason for the increased output, which comes despite the higher price of Iranian crude, appears to be that some tankers switched from Ras Tanura to Iran's Kharg Island terminal, which is more sheltered.

Yesterday, Dr. Parviz Mina, the vice-chairman of the National Iranian Oil Company, said Iran would increase the price of its crude by a further 5 per cent. in July. He refuted unofficial reports that Iran has given a discount to its oil buyers and claimed that Iran was maintaining its post-Qatar price increase of an average of 10.4 per cent. on its crude.

MEES quotes the Energy Report from the Chase Manhattan Bank as saying that Aramco, the dominant Saudi oil producer, will have the capacity to produce 11m. b/d by the middle of this year and 11.8m. b/d by the end of the year.

ITALY'S MIDEAST STRATEGY

Turning weakness to advantage

BY PAUL BETTS IN ROME

ITALIAN INDUSTRY has called out all its private and public technical forces to trade technology and industrial development for oil in order to help reduce a rising oil deficit which stood last year at L6,673bn. (about £4.5bn.). In so doing it is in effect turning its complete dependence on the international markets for the supply of raw materials into a major lever to penetrate the new markets of the oil producing countries of the Middle East.

In recent months, following the spectacular deal between Fiat and the Libyan Arab Foreign Bank whereby Libya bought a nine per cent. stake in the Italian car company, Italian companies have won several major contracts in the Arab world for various projects in the construction, energy and infrastructure field.

Co-operating with producing countries is by no means new in Italy. The Italian state hydrocarbon group, ENI, for years has been calling for producer-consumer agreements whereby consumer countries would get oil in return for goods and services to help develop the oil countries. As early as 1955, Sig. Enrico Mattei, the founder of ENI, led the way in this type of co-operation when he offered Egypt co-ownership in the Abu Rudeis oil fields in the Sinai desert. In 1957, he negotiated a similar agreement with Iran granting the National Iranian Oil Company (NIOC) a joint 50 per cent. stake in an oil concession.

ENI is now negotiating with NIOC a new form of co-operation involving the setting up of a 50-50 company which would buy ENI refineries outside Italy, as well as some 2,000 ENI-controlled filling stations in Europe and Africa. In this way, Iran would get experience of working directly in Western markets while ENI, in return would be guaranteed delivery of Iranian oil. At the same time Iran would also invest in Italy part of its profits from the deal or use the proceeds to buy Italian goods.

Finsider, steel subsidiary of the state holding company, IRI, is currently negotiating a £1.4bn. steel and industrial complex for the southern Iranian port of Bandar Abbas, where another IRI subsidiary, Italimpianti, is working on the construction of a new £700m. harbour. The new harbour, to accommodate 40 large ships, will include 60 kms of new roads and 30 kms of railway. Wherever possible, Italimpianti is using Italian equipment.

Consortium

Italian companies have seized their chances in these new markets by forming a consortium to secure major contracts. Only yesterday it was announced that a consortium of Italian companies led by the Genghini construction concern had won a \$300m. contract to build a university in Saudi Arabia.

The bigger companies have also started to set up within their own groups trading companies not only to negotiate new contracts, but also to guarantee the supply of Italian equipment and goods once the contracts were secured. Siderexport, the trading company of the Finsider group, successfully negotiated just a few weeks ago a contract to supply oil pipes for the Saudi Arabian Government. ENI is now talking about the possibility of forming a trading company linking all the 250 companies of the group.

The other device Italian enterprises have used to increase their overseas activities has been the creation of so-called foreign-based holding companies in countries like Luxembourg and Lichtenstein designed to handle foreign transactions on the most profitable markets. Through such holding companies, major groups have expanded into new markets of the third world like Iran, Algeria, Brazil and Nigeria.

At the same time, Italian industry has increasingly been attracted by what it calls the "internationalisation of production" through triangular-type operations whereby an Italian company seeks a foreign partner to share the risks of investing or selling to a third party. Such operations have usually followed three different patterns.

The first involves the type of agreement which ENI and the Soviet Union reached in 1975 to supply technical and scientific co-operation to Iraq, or in the attempt of Italian companies like the ENI pipeline-laying concern, Saipem, to widen their market penetration through the purchase of minority shareholdings in new industries set up in developing countries like Libya and Algeria.

The second alternative is the supply of equipment and know-how against payment in the form of goods produced by the very plant which the Italian companies helped to set up in the first place. These goods would then be sold by the Italian contracting company on the international market.

Finally, the third aspect of this triangular trade system is the sale of licences to developing countries for the production of goods directed for export. In Algeria, for example, Fiat is competing for the construction of a 100,000 a year car plant at Oran whose object eventually would be the export of cars built under licence from Fiat. Similarly, the Fiat Brazilian plant at Belo Horizonte inaugurated last July has a projected capacity of 200,000 cars on the model of the Fiat "127" and of an additional 150,000 engines a year. The "127" cars are earmarked for the Brazil market while the engines principally intended for exp

Such initiatives have recen been backed by several offi diplomatic missions at mi terial level in oil produc countries. Yesterday, the Ital Foreign Trade Minister, Rinaldo Ossola, flew back fr Riyadh after a three-day off visit designed to promote Ital industrial ventures in Of countries. Sig. Ossola in last few months has alre visited Libya and Iran, w the Italian industry minis Sig. Carlo Donat Cattin, vis Iraq last month.

Sig. Pietro Sette, the chair of ENI, who went to Iraq Sig. Donat Cattin, also trave with Sig. Ossola to S Arabia. A major topic of cussion between the two Ita officials and the Saudi Ara oil minister, Sheikh Ah Zaki Yamani, was a new tract for the supply of 5m. a year of Saudi Arabian c for ENI. Last year, the S Arabian oil company, Petro and ENI reached agreem over the supply of 1m. ton Saudi crude to the Italian group. Saudi Arabia curre supplies about 28 per cent Italy's annual oil needs.

Triangular

In Riyadh Sig. Ossola, it learnt here, had talks Prince Fahad Ibn Abdul of Saudi Arabia in which pointed out the opportunities Saudi Arabia, to trade oil Italian goods and techno Sig. Ossola also suggested type of triangular trade o tion by which Italy w export technology, equip and know-how to Arab coun like Lebanon, Morocco, E and Sudan which in the instance would be financed Saudi Arabia itself.

Japanese bearings protest

TOKYO, Feb. 22.

JAPAN WILL lodge a protest with the General Agreement on Tariffs and Trade against the European Community's recent imposition of special anti-dumping duty on Japanese ball bearings at GATT's two-day meeting in Geneva starting to-day, Japanese officials said in Tokyo.

Officials of the Ministry of International Trade and Industry said the Government's decision was a follow-up to an official protest Japan made to the European Commission immediately after the Community took the action earlier this month.

The trade officials indicated that Japan remains pessimistic about her official appeal to GATT producing any favourable results.

The European Community announced on February 7 the imposition of a 20 per cent. temporary anti-dumping duty on Japanese ball-bearings and roller-bearings, citing a price differential of up to 30 per cent. between European and Japanese products.

UPI

W. German shipowners call f[or] quota agreement with E. Europ[e]

BY GUY HAWTIN

FRANKFURT, Feb.

WEST GERMAN shipowners have called for cargoes to be allocated on a quota basis to East European merchant fleets unless they take "a fairer line" on competition with Western operators. East European shipping policy makers, they say, should as soon as possible give "some proof that they are prepared to review the expansionist maritime policy they have been pursuing up to now."

Rules are needed, the shipowners claim, to enable the free enterprise system to deal with the allegedly "unfair" challenge from a different system. The East Europeans were not subject to constraints of costs and profits but only with the ultimate aim of realising state economic goals.

The call, contained in the 1976 annual report of the Verband Deutscher Reeder, the West German shipowners association, points out that Western merchant shipping is not the only transport sector affected by unfair East European competition. West European inland waterway operators and road haulage companies were also facing problems.

"If it is possible to agree to such measures together with our European neighbours, we should ensure that they are not postponed any longer. The alternative is to buckle at the knees when faced with the disruptive influence of Comecon and particularly Russian shipping policies, allowing these state-controlled operators an increasing unjustified slice of trade that should go to West German and West European, as well as American shipping lines," says the report.

The West German shipowners' call for action follows what the report describes as "a difficult year for shipping" in 1976. Although performance differed from sector to sector, results had been at best stagnant and at worst recessionary. There had been considerable cuts in profitability and only a number of divisions had traded satisfactorily.

Signs of a pick-up in world trade has led to a degree of cautious optimism. But the level of profitability of the West German shipping industry was disappointing. In retrospect 1974 appeared as an exceptional year.

The tanker market was unlikely to return to equilibrium before the early 1980s. Despite scrapping and other measures, on October 1 last year 3[…] dwt of tanker vessels were employed throughout the w[…] —including four West Ger[…] vessels totalling some 70[…] dwt.

Although there were […] that pressure was now e[…] on the tramp and bulk ca[…] market, in mid-1976 more 2m. dwt in the sector wer[…] up world-wide. Short-term […]spects were uncertain and t[…] was every likelihood that surplus of tonnage would re[…] for some time.

There had been a degre[…] recovery in the liner sector slight increases of rates certain areas. Earnings v[…] considerably in the va[…] trades, while East Euro[…] competition was increasi[…] challenging the conference the Far East and North Atl[…] runs.

One of the factors hi[…] profits had been the rec[…] decline of the dollar agains[…] D-Mark. The steep fall in value of sterling had also an effect. This reflects the that the German lines fre[…] charges are mainly levied dollars while costs are freque[…] payable in D-Marks.

Dutch step up export aid

By Michael Van Os

AMSTERDAM, Feb. 22.

THE DUTCH Government is expected to announce details this week of a comprehensive package of export aid measures. It follows extensive talks with Dutch exporters, especially in the capital goods sectors, who have been arguing for many years that competitive companies in many other countries received more financial assistance.

A memorandum is to be sent to Parliament setting out the measures, which include aid for Chambers of Commerce operating abroad, assistance for trade fairs abroad, aid in securing large turn-key project, an extension of export financing arrangements, the introduction of so-called mixed credits and fixed interest rates for East Bloc countries.

A major factor is that the fund used to subsidise interest rates on export credits to match terms enjoyed by international competitors, is to be doubled. Last year—the year in which the fund was first introduced—some Fl50m. was paid out.

Dutch exporters are understood to be fairly satisfied with the proposed measures, most of which will take immediate effect while others will have to be financed from the new budget. This week's package is regarded as the biggest export aid effort ever launched by a Dutch Government.

French loan incentives

PARIS, Feb. 22.

THE FRENCH GOVERNMENT will grant loans totalling Frs.3bn. to companies which want to make investment to boost exports, Foreign Trade Minister Andre Rossi said. The loans will carry interest two points below those of the State-owned bank Credit National, but M. Rossi gave no further details.

Reuter

Credit for Ireland

The Export Credits Guarantee Department has guaranteed a £2.5m. line of credit which National Westminster Bank has made available to Industrial Credit Company (ICC) of Dublin, Republic of Ireland. The loan will enable buyers in the Republic of Ireland to place orders in the U.K. for capital goods and associated services.

Boeing may develop new engined version of 707

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BOEING, the world's biggest jet airliner builder, is studying the possibility of developing a new version of its 707 jet, using the new Franco-American (Snecma-General Electric) GFM-56 engines.

With 920 of all versions of the 707 jet ordered since it was first developed in the mid-1950s, of which 909 have been delivered, Boeing has been seeking ways of keeping the production line running.

One is to seek military orders, which it has been successful in doing with the contract from the U.S. Air Force for 27 aircraft modified to become Airborne Early Warning (AEW) radar stations. A further order for another 27 radar aircraft is being sought from NATO.

The other method has been to look for new civil uses for the jet, and Boeing now feels it may have found one in adapting the 707 for use on what are called the "long, thin" air routes of the world—routes of 6,000 nautical miles which carry insufficient traffic loads to justify using the bigger Jumbo jets on them.

By stretching the 707 fuselage, Boeing believes it can make it capable of carrying 180-200 passengers, against the present 707 load of 140-150.

The company believes there would be a market for between 125 and 250 of this type of aircraft up to the early 1990s, worth well over £1bn., thereby fully justifying the money spent on its development.

Initially, the stretched 707, called the 707-500, would use the latest version of the Pratt and Whitney JT-3D engines, which make less noise than earlier engines.

At the same time, Boeing is studying the possible use of the Snecma-GE CFM-56, both in the military radar aircraft, and in the 707-500 itself. This is a new engine of 22,000 lbs thrust, which is also currently being test-flown in the U.S. in a McDonnell Douglas YC-15 Advanced Medium Short take-off and landing Transport aircraft (AMST).

Use of the GFM-56 in the 707-500 could give the Snecma-GE group a big market, amounting to up to 2,000 engines over the next ten to 15 years. Boeing has already signed an agreement with CFM International, the company building the engine for Snecma and GE, providing for flight testing the engine in the 707.

£100m. pottery exports

BY PETER CARTWRIGHT

ANOTHER RECORD year for pottery exports has for the first time hoisted them over the £100m. to £119m. This is more than twice the value recorded only three years ago, and prospects for this year are for new peaks of volume and value being reached.

A strong indication was the estimated £10m. worth of firm business won during the recent giftware fair at the National Exhibition Centre—nearly half of it by just two companies.

Leading the field as usual are tableware shipments (china up from £24m. to £30m.) and earthenware almost £10m. greater at £53m., to bring the combined total to well over £83m.

Electro-ceramics, from power line insulators to items so small that dozens can be contained in a matchbox, did especially well. Exports accelerated by 50 per cent. to more than £10m.

Tiles, both glazed and unglazed improved their performance, while ornamental and allied products did better by £1.3m. to reach £5.7m. despite just failing to match 1975s volume.

There is growing recognition overseas that the best figurines, limited editions and other quality pieces are relatively cheap. Production at most such potteries is under pressure.

Joint powe[r] project to go ahead

AN AGREEMENT has […] signed in Bucharest on the construction and exploitation Yugoslavia and Romania of a power and navigational sy[…] on the Danube known unde[…] name of Iron Gate 2. decision in principle was […] last year at a meeting of P[…] dents Tito and Ceausescu.

The new system will be […]structed, some 50 miles d[…]tream from the present Gate 1, near the Yugoslav […] of Prahovo, 863 kilometres f[…] the Black Sea.

The power plant will have horizontal turbines of a tota[…] 432 MW to be divided equ[…] between the two countries.

Annual production will […] 2.6bn. KW hours, also to […] shared. In addition, the Gate 1 power plant will incr[…] its capacity by some 316 MW its annual production by 1[…] KW hours.

Yugoslav plant

Hoechst unit Friedrich […] received a DM30m. order f[…] the Yugoslav company Jugo[…] to build a 25,000 tonne per […] polyvinylchloride plant.

Nuclear deal

Atomic Energy of Canada […] completed a renegotiated ag[…]ment that cut its losses on sale of a nuclear reactor Argentina to between \$25m. a[…] \$40m. The State-owned co[…]pany said it would have had loss of more than \$100m. un[…] the original contract.

Vietnam loan

A contract for the Wo[…] Bank's first loan to Vietnam m[…] be signed during the second h[…] of 1978, a bank official sa[…] following a two-week tour Vietnam.

Radar system

Cable and Wireless has be[…] appointed to carry out a £[…] contract for the supply a[…] installation of a Toshiba ro[…] surveillance radar system Kai Tak Airport, Hong Kong.

More aid may be offered to North Sea chemicals

Y RAY DAFTER, ENERGY CORRESPONDENT

GOVERNMENT is considering new financial incentives a means of stimulating ical industry expansion on North Sea oil and gas. idies being conducted in Departments of Industry Energy show that four r ethylene plants might he in the next eight years, the possibility of a further or four in subsequent Expenditure on these ers alone would be between n. and £2bn. at current s, although the cost of ing associated process units add considerably to these s.

plants could form the of large chemical coms, largely geared to serving ets on the Continent. But felt in some sectors of ehall that long-term Incenmay have to be offered to some international ical groups.

o Chemicals, for instance, told Government officials its proposed ethylene cr at Mossmorran, Fife, is to cost some 20 per cent. more than a similar plant built in an established chemical manufacturing region of Belgium or Holland.

The Mossmorran venture, which has still to be sanctioned by the parent Exxon Board, will be assisted by a regional development grant. Its capacity of 400,000 to 600,000 tons a year of ethylene will be fed by ethane piped from Shell-Esso's Brent Field.

It is said in Whitehall that these incentives of development grants, boosted perhaps by a slice of the Government's new £100m. selective investment scheme, and the availability of North Sea feedstock, are sufficient to accure the development of at least four crackers.

What is not known is whether the benefits will be sufficient to induce international companies to switch investment schemes from the Continent to the U.K. This course of action is likely to be needed if Britain is to make full use of a gas-gathering network now being considered for the North Sea.

Apart from the Esso proposal, Shell plans an ethylene plant at Stanlow, again aided by a regional development grant. It is estimated that a total investment of £300m. there would result in a boost to the balance of payments by about £300,000 a day.

It is thought in the chemical industry that British Petroleum might build a new plant at its Grangemouth complex in Scotland.

The remaining four or five crackers in the Government's projections will largely depend on construction of the gas-gathering pipeline network, a scheme which may cost well over £2bn. Five private companies are expected to join British Gas and the British National Oil Corporation in a study of a possible gathering system.

If it is built in the early 1980s, between 3m. and 4m. tons a year of ethane, the raw material for ethylene, could be landed, as well as large quantities of propane and butane (also chemical feedstocks) and methane, the gas used for heating and power.

Vosper Thornycroft profits rise 36%

BY KEVIN DONE, INDUSTRIAL STAFF

VOSPER THORNYCROFT, the naval shipbuilder, yesterday announced a year's pre-tax profit up 36 per cent. to £5.5m., and group turnover increased by 19 per cent. to £97.7m.

But the company's preliminary announcement of a record performance was accompanied by a warning from Sir John Rix, managing director, that it could face redundancies if it did not secure the imminent Government order for another Type 42 destroyer.

The Southampton company has been vying for some months with Cammell Laird, of Merseyside, for the £50m. order, and an announcement is expected from the Defence Ministry in the next two weeks.

Optimistic

Cammell Laird lost its designation as a warship builder at the end of the 1960s, but its merchant ship order book will begin to taper off at the beginning of next year. It is already building one Type 42 and is anxious for another order to ensure continuity of work.

Sir John Rix is optimistic that the order will go to the designated warship builder, but if it is not announced in the next two months be warned that there will be progressive redundancies among the 8,500 workforce from the early summer, rising to about 500 by the end of the year.

The Government could seek a solution to its dilemma by placing orders for fleet auxiliaries and naval tankers, which are specifically excluded from the designated list, with Cammell Laird.

The export share of Vosper Thornycroft turnover remains at about 75 per cent., and the company is pursuing an overseas inquiry for another frigate and possible orders for three to four patrol boats.

If the shipbuilding nationalisation Bill is pushed through, with or without ship-repairing, it appears unlikely that Sir John would be willing to remain as managing director of the Vosper Thornycroft shipbuilding business. It is thought he would remain with the parent company to develop its remaining private interests.

The company is confident that a favourable out-of-court settlement will soon be reached with the Government over the controversial contract terms for three Amazon-class frigates, two of which have already been delivered.

● Mr. Gerald Kaufman, Industry Minister, yesterday told leaders of the Confederation of Shipbuilding and Engineering Unions that the Government would announce a selective aid policy for shipyards as soon as possible.

It is understood that it hoped to unveil the scheme before Friday. It may now be put back until next week.

Vosper results in detail Page 26

Kearney and Trecker management changes

By Our Industrial Staff

MR. KEN COATES, former managing director of Kearney and Trecker Marwin, will be leaving the machine tool group, in which the Government has injected £7m. during the past five years.

Mr Coates, aged 44, who was previously with Ford, has about two years of a five-year contract still to run, and will receive a sum still to be negotiated as part of a settlement described by Mr. Ken Lane, the new executive chairman, as "quite amicable."

KTM last August became a part of the Vickers Engineering group. Vickers acquired an 86 per cent. shareholding as part of a scheme which also involved the Government's writing off £5m. invested in the company as part of two previous financial rescue operations, and injecting another £2m. of working capital.

KTM is acknowledged to be the key British-owned company at the high technology end of the machine tool industry — hence the Government's interest in its survival.

Order position

Giving details of the changes yesterday Mr. Lane also reported that KTM had enough work to keep it busy through to 1978. Orders were 27 per cent. above those at the same time a year ago, and more than half the order book, worth £20m., is for export.

The new operating management team at KTM consists of Mr. Lane, Mr. Ray Enticott, formerly of Vickers and now commercial director; Mr. David Sinclair, formerly of Marwin Machine Tools before it was merged with KTM five years ago, and now general manager of the NC Division; and Mr. John Wesley, who joined the group shortly before the merger with Marwin, now general manager of the special machinery division.

Leyland Cars delay in ordering worries machine tool men

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

MACHINE TOOL manufacturers are extremely worried about delays to the expected orders from the Car Division of British Leyland.

This concern is reflected in a letter sent from the Machine Tool Trades Association to Leyland, urgently requesting more information about the division's plans.

No order of significance has been placed with the machine tool manufacturers since the £100m. tranche of investment capital was released to the division in the autumn.

There have been many inquiries, however, and these justify forecasts that the Car Division will spend £45m. to £48m. a year on machine tools.

Many machine tool companies are angry at the failure of Leyland to convert inquiries into firm orders. Warnings about the U.K. industry running out of capacity to supply Leyland seem to have been to no avail.

Some machine tool executives are convinced that the Leyland orders will clash with those from Poland for the tractor industry. The Polish orders, the first of which have been placed, could be worth £100m. to the U.K. over the next two years.

Leyland Cars may be forced to buy abroad to meet its deadlines.

Priority

What disturbs the machine tool men is the lack of firm information, either about when orders will start to flow, or about reasons for the delay.

The feeling is that Leyland Cars will give priority to its labour relations problems, and not go ahead with capital equipment orders of any size until they have been sorted out.

Orders from the Bus and Truck Division are flowing more smoothly, and should provide U.K. toolmakers with another £20m. worth of orders.

Britain will start drawing $1.5bn. loan this week

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

BRITAIN will start drawing the first tranche of its recently arranged $1.5bn. Euromarket loan within two days.

The Bank of England, as agent for the Government yesterday notified the banks in the loan syndicate of its intention of making a drawing.

Under the loan agreement, signed last week, the U.K. is entitled to draw $1bn. within the next six weeks. It is likely that this will be spread out over the period.

Any drawing this week should show up in the February reserve figures to be published in a week's time.

The final $500m. of the loan is due to be drawn after six months. The loan has a life of seven years, with spread over Eurodollar offered rates of 1 of a point for the first two years and one point thereafter.

The loan, announced a month ago, has been raised to help rebuild the reserves and as part of the medium-term finance for the current-account deficit.

Commercial radio making profits

NANCIAL TIMES REPORTER

OF the U.K.'s 19 commercial radio stations are now g profitably, with a total ver of £14.5m. a year, it isclosed yesterday.

John Thompson, director dio for the Independent casting Authority, told a casting Press Guild meetat audience figures were mproving.

latest audience research d that 14m. adults about d of the adult population. d to commercial radio eek. More than a million people under 15 listened omercial stations.

improvement follows difft in the four and a-half since London's two coml stations, Capital Radio ondon Broadcasting Com(LBC) were started.

, in particular, made some losses as a result of techtroubles, a general fall in tising, and the expenses nt in providing a roundck news service.

station was also at a distage because there were no stations apart from Capital ich it could sell its news e. Now, with 19 stations in ion, and the possibility of t double that number, LBC much wider market.

the stations have been helped by a general improvement in advertising revenue, which naturally increases with the upward trend in audience figures. However, none of the stations is yet able to fill all the nine minutes an hour which they are allowed to devote to advertising.

The improved profitability of local commercial radio is causing a renewed interest from companies and consortia which would like to start up in areas not yet covered. When commercial broadcasting was started, the IBA hoped to establish up to 60 stations. The Government has limited the number to 19 until the Annan committee on broadcasting has reported.

Capital needed to set up a local radio station can be as little as £200,000, and may be about £500,000 in a medium-sized area.

Most of the large-population areas, including London, with 5m. potential listeners, Glasgow with 2m. and Manchester with 2.5m. have stations, but some large cities, such as Bristol, remain to be covered. The smallest station so far is at Ipswich with a coverage of 200,000 people. Preliminary results show that these small stations can make healthy profits.

Co-op shops increase food sales

By Stuart Alexander

CO-OPERATIVE shops again increased their share of U.K. food sales in real terms in 1976, despite a generally static year for the food retail trade.

The movement saw its market share grow to 16.3 per cent. (worth £1.46m.), compared with 16.1 per cent. in 1975, while it outstripped its competitors with a 19 per cent. increase in turnover compared with one of 18 per cent. for the multiples and 15 per cent. for the independents.

Growth in the first half of the year was 21 per cent., with success being particularly attributed to own-label lines, the majority of which the Co-operative manufactures.

The Co-op is traditionally less strong in the second half, particularly near Christmas, but Department of Industry figures for last year made its share 13.3 per cent., compared with 13.2 per cent. in 1975 and 12.6 per cent. in 1974.

While the movement remains much stronger in the Midlands, North and Scotland, the co-ordinated marketing policies and national advertising campaigns adopted by the 200-plus individual retail societies have played a big part in the sales growth, the Co-operative Wholesale Society, responsible for much of the co-ordination, claimed yesterday.

Since the late 1960s the movement has tried to present a unified image both in terms of the store design and the range of goods. Recent television campaigns featuring price cuts on individual lines have been successful only because of this new willingness to work together, the CWS said.

The extra two-fifths of a share point are estimated to mean an extra £50m. in trade annually. "We are now reaping the reward of our capital investment in new operations and of our sustained national marketing programme," said Mr. Peter Gray, CWS food division controller.

Wills launches new brand

BY STUART ALEXANDER

IMPERIAL GROUP'S W. D. and H. O. Wills subsidiary is to distribute nationally a new brand of cigarettes called Nerit.

The cigarette is a standard size filter, in the middle tar bracket. It will retail at 47p for 20, with an introductory offer of 2p off.

There will be additional incentives to retailers of 25p per 1,000 and for stocking and display. Wills says it will use selected outlets and will not employ heavy promotion for the brand, which is not expected to become a big seller.

Man-made fibre output up but still behind 1974

RHYS DAVID, TEXTILES CORRESPONDENT

MADE FIBRE-producers sed output by about 10 ent. over 1975 levels last o a total of 618m. kg., but ction by the industry ns down on the figures of nd 1974.

ures published yesterday by British Man-Made Fibres ation show a substantial se in exports last year by yarn and fabric producers. EC became the most imporngle market.

orts, excluding made-up s and clothing items, rose 7 per cent. in value to m. The EEC accounted per cent. of sales abroad. growth in exports was balanced by a correspondincrease in imports to m., an increase of 27 per cent. on the previous year. The EEC was the main supplier, with sales of £253m., which is 56 per cent. of the total.

There is a small surplus in trade with the rest of the world in fibres, yarns and fabrics of about £10m. for 1976.

In trade with the EEC Britain was £87m. in deficit last year. Growth in exports to the EEC, 57 per cent., ran ahead of the growth in imports—up 45.7 per cent.—enabling the gap to be closed marginally on 1975.

The largest single export item, as in 1975, was yarn and thread of synthetic fibre, valued at £143.3m.; followed by synthetic and regenerated fibre, £124m. The two largest import items were woven synthetic fabrics (£167.3m.) and synthetic yarn and thread (£150.2m.).

Tory students fight NUS elections

By Michael Dixon, Education Correspondent

SEVEN CANDIDATES are being put up by the 16,000-member Federation of Conservative Students for next month's election of the National Union of Students executive. But the Conservatives do not expect to win more than two of the 17 seats.

Mr. Steve Moon, the federation's sole representative on the executive at present, said in London yesterday that he had no chance of winning the NUS presidency against Miss Sue Slipman, the candidate of the Broad Left alliance of Left-wing Labour and Communist students.

Campaign aims to expose rogue mortgage brokers

ERIC SHORT

BLICITY campaign aimed rawing attention to the lation of first-time houses by "rogue brokers" was hed yesterday by the Coror of Mortgage, Finance ife Assurance Brokers.

as produced a report which hes how people are con-l, what charges are made, he lack of effective redress the operation is exposed. spaper advertisements ng 100 per cent. mortgages imed at young first-time buyers who in general are to buy a house but have little idea of what is ved.

report, which prints letreceived last year from e who have dealt with such rs, says that once an tisement is answered the is visited by an agent, ised a 100 per cent. mortand asked to pay a regism fee.

approach

Corporation points out there is no such thing as a per cent. mortgage from a ing society, except perhaps very special cases. Usually rogue broker does not n the 100 per cent. mort. In fact he does not even oach a building society. The has to arrange the buildsociety mortgage and the er arranges a finance loan at an exorbitant rate of interest, which, the Corporation says, is not disclosed to the client. After months of inactivity the client usually gives up but is unable to get his money back.

Under Section 155 of the Consumer Credit Act, 1974, the client can get his money back if a broker fails to provide an offer of mortgage within six months. But in practice, says the Corporation, implementation of the Act has become a legally frustrating exercise, and the record of the Office of Fair Trading in the onerous task of administering the Act has been disappointing.

Anomalies thrown up by the Act are still allowing many couples to be cheated by rogue brokers. For example, repayment need only be made on request by the client, and most couples do not realise that they can claim their money back. If they do claim, the broker is allowed to hold on for six months before making the refund.

The Corporation is campaigning for the Consumer Credit Act to be tightened. It claims that troubles would not occur if people dealt with members of the Corporation.

These are not allowed to charge fees in advance, and members had to fulfil six professional criteria dealing with competence, ethics, solvency, compensation, professional indemnity and separate client's account.

Euromoney extended

AMEX BANK, the London-based merchant banking subsidiary of American Express, and Euromoney Publications have extended the coverage of their joint publication, the Amex Euromoney Syndication Guide.

Launched in April last year, the guide provides a comprehensive record of individual banks' participations in medium-term Eurocurrency credits.

Its coverage has been extended to record:

1. Term and margin over LIBOR (London inter-bank offered interest rate) of each loan.
2. The number of loans managed by each bank annually by country of borrower.
3. The number of participations by each bank annually by country of borrower.
4. The overall number of loans managed by each bank annually.

For 1976 the guide lists over 300 loans at a total borrowing of $21.4bn. The rapid growth in the importance of private international lending is shown by the increasing number of banks operating in this market, now totalling over 1,500.

HOME NEWS

Public inquiry likely after Orkney refusal of uranium search

BY RAY PERMAN, SCOTTISH CORRESPONDENT

A PUBLIC INQUIRY is almost inevitable after the decision by the Orkney Islands council yesterday to refuse permission to the South of Scotland Electricity Board to prospect for uranium by drilling 11 boreholes.

The Board said it regretted the council's ellitude. It was concerned to establish the facts about uranium deposits on Orkney, but would wait for the written refusal giving the council's reasons before deciding its next move.

The proposal has raised a storm of protest on the island. The planning committee voted unanimously against granting approval, on the grounds that it would never allow uranium mining and so there was no point in allowing exploration.

Letter

At yesterday's full council meeting, the planning committee chairman asked councillors to sustain their objections even if it meant an inquiry.

During the meeting a letter was read out from Sir Douglas Haddow, chairman of the North of Scotland Hydro-electric Board, and a member of the South of Scotland Board. He asked for the decision to be deferred so talks could be held to avoid the confrontation that was likely if a public inquiry was called.

"Sources of uranium abroad are not secure for the future because of the risk of political instability and restrictive attitures which certain Governments may come to adopt," he write.

"It is thus most desirable to establish what workable deposits exist in the U.K."

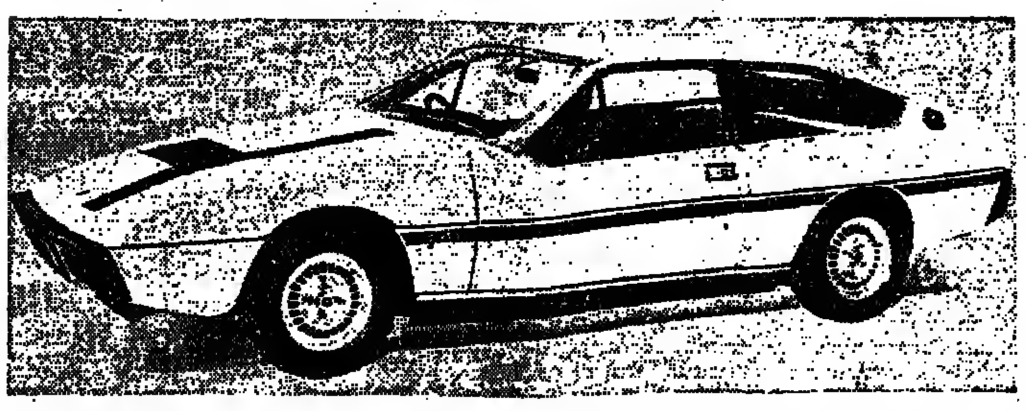
The letter ended by saying it would be very difficult for the South of Scotland Board not to appeal if refused permission.

Uranium was first found in Orkney by the Institute of Geological Sciences, which also found traces in Caithness and Kincardineshire on the Scottish mainland.

RioFinEx, the exploration subsidiary of Rio Tinto Zinc, did studies of its own in Orkney in 1972. It decided then that results were not sufficiently promising to go further.

More Home News on Page 28

Eclat sprint version out to-day



A HIGHER-PERFORMANCE "Sprint" version of Lotus Cars' Eclat four-seater sports car is launched to-day by the Norwich based specialist manufacturer, writes John Griffiths.

The model, which has a black and white paint scheme (no other is available), a lower axle ratio, and modified camshafts for faster acceleration, is designed for what the company sees as younger buyers left by its long climb up-market.

Pitched at the lower end of the Lotus price range, at £8,063, at Sprint is expected to account for around 20 per cent. of total Eclat sales, now running at some 30 a month, against 60 a month for the mid-engined two-seater Esprit and 20 a month for the larger £10,000-plus Elite.

As with other Lotus models, about half the cars produced are likely to go abroad, mostly to America. Lotus cleared the last of its Federal emission and safety regulations problems on the Esprit and Eclat two months ago. With American demand for the new models already high—the company says it has in hand firm orders for 100 Esprits alone—the car should help Lotus further on the road to recovery from the £1m. losses which brought it near to disaster in the sports car shake-out of 1975.

It is expected that figures for the second half of 1976 will show Lotus building on the £35,000 profit gained for the first half. Production is running at about 110 vehicles a month, compared with 70 to 80 a month towards the end of last year.

The company is trying to avoid too heavy reliance on either its U.K. or American markets. It is attempting to build up other markets, in Europe and elsewhere, to take about a third of production. Seventy-two cars are being sent in semi-knocked down form to South Africa this year.

The Middle East is also coming in for attention. In the past Lotus sales there have been of the one-off variety, through British dealers. Soon eight cars will be despatched to agents in Kuwait in what Lotus sees as the start of an orderly marketing build-up in the region.

Merseyside county rate up by 2½p.

MERSEYSIDE COUNTY Council yesterday approved a rate precept of 30½p, which Councillor William Sefton, the chairman, described as meaning a "modest" rate increase of 2½p or 8.9 per cent. to meet a requirement of £78.7m.

This is the rate which will have to be levied on the five district authorities to add to their own rate figures. The county council was able to keep the rate down to that level because of a windfall surplus of £4.7m.

Councillor Sefton said that unless inflation was contained they might have to seek further reductions in services and increased charges.

He added: "In responding to the Government's aim to correct the imbalance in our national economy, we must also have regard to our own responsibilities to maintain effective essential services."

GEC cuts North-East workforce

By Max Wilkinson, Industrial Staff

GEC TELECOMMUNICATIONS is to cut its workforce in three North-East factories by about 10 per cent.

The rundown of about 400 jobs at Hartlepool, Middlesbrough and Aycliffe is expected to be achieved mainly by natural wastage. The loss of jobs reflect a general dearth of telecommunications orders, and, in particular, the Post Office's recent £220m. cut in its ordering programme.

Further lay-offs are almost inevitable next year as a result of these cuts. Trades unions have estimated that redundancies could reach 15,000 throughout the industry.

However, GEC said investment in new plant and tooling would continue in spite of the Post Office's cut.

The recent rundown in the North-East is less than union leaders had at first feared. This is because GEC will be transferring some work from Coventry and Scotland to Hartlepool, and intends to expand production of electronic equipment on Teesside.

Standards in NHS 'falling'

By Stuart Alexander

STAFF SHORTAGES following economies in the National Health Service have led to standards falling to the level of 30 years ago, according to a Royal College of Nursing report.

The report—The effect of financial cutbacks in the National Health Service on standards of care—has been sent to Mr. David Ennals, Secretary for Social Services. It claims that too few staff are nursing too many patients.

According to a survey by the college, unqualified people were being employed to replace trained staff. Additionally, first year students were being left in charge of wards at night. Sometimes wards were left without night staff.

The college which is to meet Mr. Ennals to discuss the problem on April 4 concludes that financial cuts were not the only reason for the deteriorating service. A deeper problem was that of medical priorities, with the treatment of the esoteric more attractive than common ills. In addition, neither medicine nor nursing had kept pace with changing health needs.

OBITUARY

Mr. W. Hall

Mr. William Hall, until recently deputy chairman and managing director of Thos. W. Ward, has died at the age of 64.

He was president of the British Shipbreakers' Association, a co-opted member of the management committee of the British Scrap Federation, past president of the Yorkshire Scrap Federation and a member of the British Metals Society.

Two stage rise in domestic air fares likely

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

DOMESTIC AIR fares are likely to go up again in November, despite increases of between 6 and 15 per cent. already being sought from April 1, as a result of the continued high rate of inflation.

This was made clear by airline spokesmen at the public hearing in London yesterday before the Civil Aviation Authority of pleas for fares increases from April 1, on behalf of British Airways and other domestic airlines.

British Airways is seeking an increase of £2 to £28 in the London-to-Glasgow / Edinburgh tourist single fare, and a rise of £1 to £28 in the London-to-Belfast fare.

Mr. Arnold Heard, route licensing manager for BA, said the airline would make a profit of £606,000 before interest on its domestic network during the next financial year if these proposals were approved.

But be warned that BA likely to come back for fu rises in November, perl amounting to £2, to keep i with inflation and increase operating costs.

The proposed April rise by was intended to restore pari fares on all three trunk ro because the airline intende introduce a shuttle serv between London and Belfas April 1 along similar line that now operating betw London and Glasgow/Edinbu

Mr. Heard criticised a Bri Caledonian plan for a ris £3 on the routes to Scoti which, he said, would "counter-productive" in effect on the market. To fares in two separate amo was the more attractive met In any event, traffic on London to Belfast route deteriorating, and BA was ta a risk in launching the shut

Fear that security levy will snowball

BY OUR AEROSPACE CORRESPONDENT

THE WORLD'S airlines fear that the Government's decision to pass on directly to them the £15m. a year cost of providing security at British airports will result in higher fares.

Mr. Knut Hammarskjold, director-general of the International Air Transport Association, said yesterday that Britain's course might well be followed by other governments, and thus fares would increase.

Mr. Hammarskjold came to London on Friday to try to get the U.K. Government to change its mind about passing on these security costs. He was told that in the light of the need for spending cuts the decision must stand.

Asked yesterday why he thought it unreasonable for the Government to take such a position, he gave four reasons.

1. Airports are public places, and entitled to as much protection as other public places. They are not used solely by air travellers, but by many thousands of other people.
2. Terrorism is not aimed at airlines but at governm and it is incumbent on gov ments to protect other or isations which may be use targets to intimidate t governments.
3. Passengers by air should be penalised by having to for security when passe using surface transport not charged in the same That is especially the with London Heathrow, w the British Airports Auth makes profits and could pay for security itself.
4. Some legal opinion main that, because international makes governments re sible for providing fo nationals with adequate tection, it is illegal to ma specific charge for this se

Despite Mr. Hammarskj protest, however, it is diff to see how the world ai industry can effectively pr the U.K. Government pressing ahead with its pla make the airlines pay.

More Heathrow traffic

THE British Airports Authority handled more than 2.3m. passengers in January at its seven airports (including Heathrow and Gelwick), 10 per cent. more than 12 months before.

At Heathrow, traffic in January rose by 8.8 per cent. to reach nearly 1.7m. Traffic at Gelwick was up by nearly 20 per cent. to 339,500, while traffic at Stansted rose by 93.6 per cent to reach 19,500. Total growth at airports in the South-East of England was 11 per cent. to more than 2m. passengers.

All the Scottish airports continued to show substantial g with the exception of Gla where traffic was down by per cent. The biggest single crease, of 51.4 per cent., wa helicopter movements at A deen, as a result of the conti growth of the North Sea oil gas industry.

● A £2m. extension is pla for the International termi Glasgow to provide larger lo areas and a supermarket duty-free shop.

Work is already under wa a £200,000 facelift to the terminal building.

APPOINTMENTS

Sir Andrew Carnwath joins Great Portland Estates

Sir Andrew Carnwath has joined the Board of GREAT PORTLAND ESTATES as a non-executive director.

★

Mr. F. Guy Corbi has been appointed a vice-president of the international division in London of the CROCKER BANK.

★

Mr. John Edwards has become *European manager of VICKERS-DAWSON*, a member of the Vickers group.

★

Mr. Stuart Massey has been appointed managing director of LORD AND SHARMAN in succession to the late Mr. Fred Brookes. Mr. Massey was previously production director of the company, which is a member of the Ward White group.

★

Mr. Paul C. Borrough has been appointed to the new post of contracts manager of SERCK WATER PROCESSING. Mr. Brian Davidson has become financial controller in succession to Mr. Tony Priestly.

★

Mr. G. B. Jones has been appointed chairman of UNITRITION INTERNATIONAL. He remains responsible to the parent concern BOCM SILCOCK and is also a member of that company's Board. Mr. N. J. Stapleton, previously corporate planning manager, succeeds Mr. Jones as development director BOCM Silcock.

★

Mr. E. A. Carrington has been appointed a director of A. G. WINCHESTER AND CO.

★

On his retirement, Mr. F. J. Goodall has ceased to be an executive director of AMALGAMATED POWER ENGINEERING and has rejoined the Board as a non-executive director.

★

Mr. Harry Norris, a director of George Wimpey and Co., has accepted an invitation to join the Board of the STOCK CONVERSION AND INVESTMENT TRUST.

★

Mr. Ray Underhill has been appointed financial director of TI TUBES after a year as chief accountant with the company, which is a member of the Tube Investments group.

★

Mr. H. A. Montague, assistant general manager for the U.K. of the ROYAL INSURANCE GROUP, Mr. A. J. Pemberton, life sales manager and Mr. A. H. Vernon, underwriter of the Marine Insurance Company, are to retire at the end of March. From April 1 Mr. F. E. Goosey will be assistant manager for the U.K., Mr. P. J. Sherman, a home underwriting manager, Mr. D. R. Parry, life sales manager, and Mr. A. J. McLachlan, life management services manager. Mr. S. D. McGeorge is to be deputy general manager, British Engine Boiler and Electrical Company.

★

Mr. J. Ialo Murray has resigned as a director of GLENMURRAY INVESTMENT TRUST.

★

The Secretary of State for Defence has appointed Mr. J. Alvey as Deputy Controller R and D Establishments and Research C and Chief Scientist (RAF), on promotion to Deputy Secretary, from April 1. Mr. Alvey will succeed Mr. W. J. Charnley whose appointment as Controller R and D Establishments and Research was announced last month.

★

Mr. Keven Birmingham has been appointed divisional director of the BATEMAN CATERING ORGANISATION for the city, eastern and southern home counties.

★

Mr. Tim Akeroyd is to join the Board of ANCRA INTERNATIONAL, the cargo restraint subsidiary of Marling Industries, on March 1. He will continue as general manager at Ancra.

★

Mr. L. E. Fielding, manager, technical services group, of BH SOUTH, has been appointed a director of the company.

★

Miss K. L. Edwards is to be deputy chairman of the CIVIL SERVICE APPEAL BOARD on April 1. The post will become vacant when Sir Leslie Williams succeeds Mr. J. J. S. Shaw as *chairman*. Miss Edwards is currently a member of the staff side panel of the Board and until her retirement was an assistant secretary of the Civil Service Union.

★

Mr. Clive May has been appointed by EMI as director of commercial affairs, Europe, from April 4 reporting to Mr. M. O. Hamilton, the resident director based in Zug, Switzerland. May joined EMI in 1965, and holding various posts he bec director of development plan

★

Mr. Dennis Heritage has appointed financial directo TIMES NEWSPAPERS, succe Mr. Philip Barron.

★

Mr. Anthony Tennant has appointed managing directo INTERNATIONAL DISTILL AND VINTNERS in successio Mr. Geoffrey Palan who bec deputy chairman. In additio his other duties, Mr. Palan assist Mr. Tennant with management of overseas o tions. Mr. James Espey has made group marketing dire with international responsibili He is at present mark director of Gilbeys in S Africa and will take up his position in the U.K. early in

★

Mr. W. P. Lockwood and N. G. Horton-Mastin have appointed joint managing d tors of LOCKWOODS FO Mr. P. B. Lockwood remain chairman. Mr. W. J. Long, par to Laing and Cruickshank, st brokers, has been appointe director.

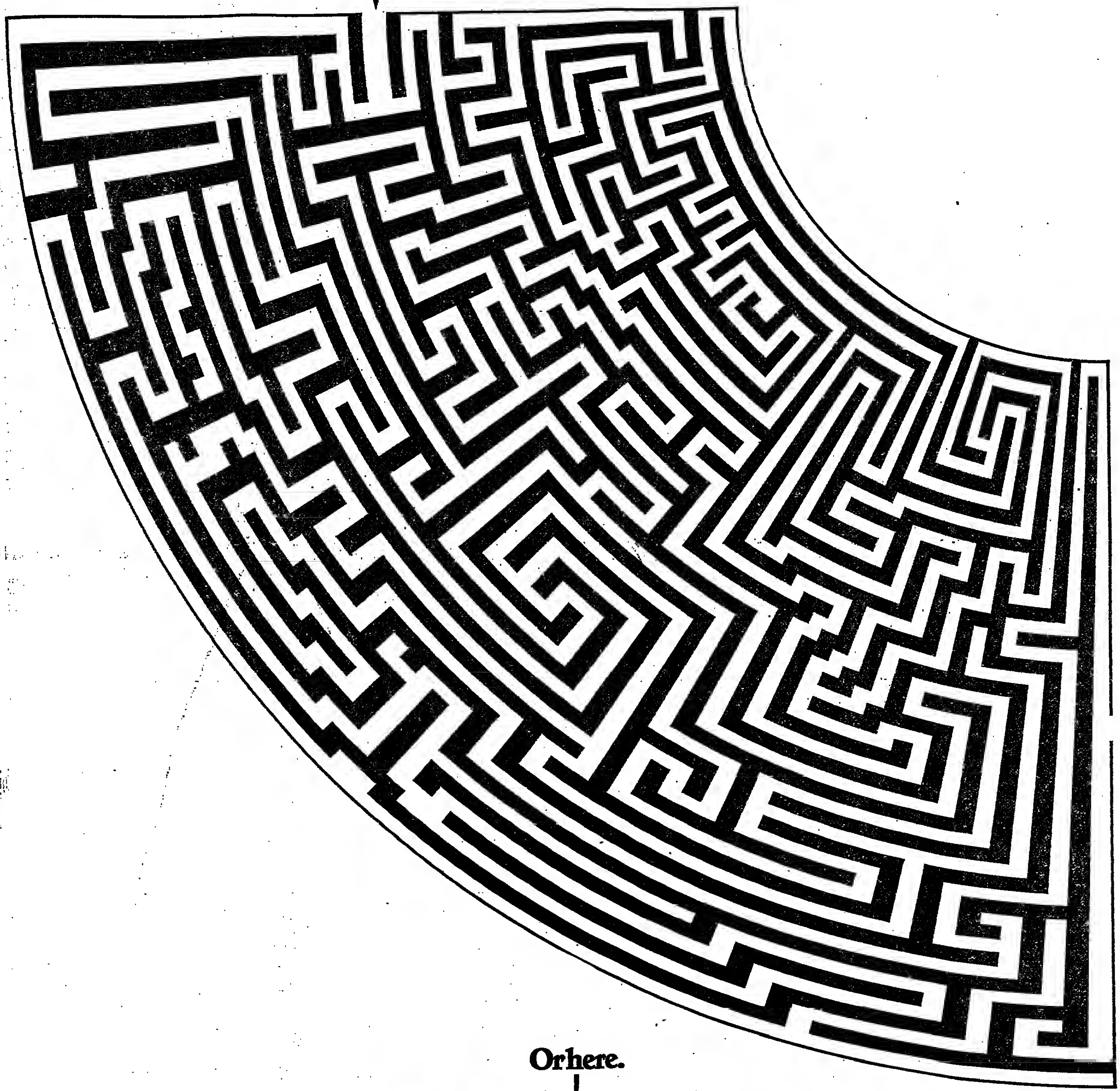
★

Mr. I. G. Kennington has elected chairman and Mr. G Williams, deputy chairman, of ISSUING HOUSES ASSOCIAT Mr. D. C. Macdonald, having c pleted his two years' term chairman of the association, relinquished that office and tired from the executive com tee. The following have elected to the executive com tee: Mr. R. A. Brooks, Mr. E Buckley, Mr. D. P. Ewart, Mr. Gillum, Mr. D. O. Horne, Mr. Kennington, Mr. T. J. Mann Mr. J. M. F. Padovan, Mr. G. Walsh and Mr. G. G. William

★

Mr. M. Dargan, chairman FITZWILTON, has indicated to Board that the questions of strategic policies and long-te *future of the company* sho come up for early decision. would be appropriate, he thou that these questions should determined by the Board n a chairman who would rem with the company over a c siderable period ahead. Acc ingly he is to resign as chairm and from the Board at the end this month.

How did a Japanese company secure European export finance for a major capital project in North Africa and at the same time assist the U.K. trade balance?



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LABOUR NEWS

Electricians call for freer wage policy

THE ELECTRICAL and Plumbing Trades Union yesterday made clear its opposition to another year of pay restraint.

The union's national executive committee decided that it could not agree to a pay policy which "resembled the first two stages" unless the Government took action to curb rising prices, included tax cuts in the Budget, and did not sell its stake in British Petroleum.

But the main concern of the executive was the damaging effect of successive pay policies on the differentials of the union's members, who are mainly skilled workers.

A typical example of the union's worries about differentials is the long-running dispute at the Rolls-Royce aero-engine factory in Bristol, where more than 115 electricians have been seeking to maintain their differentials over other skilled and production workers.

Strike action

The Advisory, Conciliation and Arbitration Service, which was asked to intervene in the dispute to avoid strike action which last year led the company to threaten to close the plant, has just prepared its report on the electricians' claim.

This recommends that if the individual unions were unable to resolve the differentials problem, then an independent review body should be set up to issue a binding award on the size of differentials for all grades. This would then be implemented when the pay policy allowed.

Another argument put forward by the union against another round of restrictive pay policy is the ease with which the pay policy was being evaded, especially in the building industry. The union has claimed that widespread "fiddling" of the pay policy was prevalent on large construction sites.

This led to frustration among other groups of workers who were obeying the pay policy, the union argued.

Pension controls may be relaxed

BY ERIC SHORT

IT WAS ALMOST certain that restrictions on pension scheme improvements would be removed from any further stage of the incomes policy, Mr. Roy Grantham, general secretary of the Association of Professional Executive Clerical and Computer Staff, said yesterday.

Speaking at the launch of a survey by Anthony Gibbs, the pension consultants, on trade union attitudes to pensions, he said the unions would be pressing the TUC and the Government to lift the restrictions.

The survey had approached officials of 118 unions with membership of 11.25m., and 42 unions with 4.48m. members replied. On the question of whether pension improvements should be restricted during a pay freeze or be treated as an exception, 81 per cent. of unions in the private sector and 60 per cent. in the public sector favoured exemption.

However, a statement from the TUC took a much more constrained line. Pensions would be considered during negotiations on the future of the social contract, but no decision had been taken and it was likely to be considered after the Budget.

Unions were also asked about the time needed for consultation on whether to contract-out of the State scheme due to start in April 1978. One-third wanted at least 12 months' notice and Anthony Gibbs pointed out that because of other time consuming tasks, such as legal and technical formalities, employers wishing to contract out may have left it too late if they have not yet begun the consultations required by law.

Building union denies censorship bid on report

BY OUR LABOUR CORRESPONDENT

MR. GEORGE SMITH, general secretary of the biggest building union, the Union of Construction, Allied Trades and Technicians, hit back yesterday at suggestions that the unions had tried to stifle a housing report by the National Economic Development Office.

He said that the unions on the building trade "Little Neddy" and on the sub-committee that worked on the report had opposed its publication in its present form because of the lack of consensus. There were "substantial technical inadequacies," and the NEDO had failed to link policy proposals with the analysis produced.

Unions had argued that because of the political sensitivity of housing finance the report should be limited to those areas on which there was agreement.

This proposal had been rejected because of the NEDO's unwillingness to devote further resources to the work.

Every member of the sub-committee had expressed misgivings about it at their meeting in December, and the proposal to publish the report as a discussion document had been carried by only 15 votes to seven.

Mr. Smith said the unions had "acted constructively at all stages," and at his suggestion a three-men committee had been set up to look at the disputed parts of the report.

The contentious parts of the report are believed to be its proposal for expanding home ownership; reducing the amount of building by local authorities; and easing the law for private landlords.

Move to end strike at John Brown

BY OUR GLASGOW CORRESPONDENT

UNION OFFICIALS and shop stewards will to-day make a second attempt to end an unofficial strike which is threatening the future of the John Brown Engineering offshore module yard, Clydebank.

The week-old strike of 200 skilled and semi-skilled men has forced the yard to lay off most of its other 650 employees. Work on contracts for Shell and Chevron, due for delivery this summer, has come to a halt.

Mr. John Sharp, district official of the GMWU, who will be asking the men to return at to-day's meeting said they had a genuine grievance about overtime payments, but this did not justify a strike. "I am much concerned about the future of the company, as long as this stoppage lasts," he added.

Last year union officials called a mass meeting of the workforce to warn that a spate of unofficial strikes could put the firm out of business. They asked shop stewards to observe agreed disputes procedures.

Council employees strike over staff cuts

By Our Labour Staff

A ONE-DAY strike by more than 300 local government workers employed by Medway council in Kent will be staged to-morrow in protest against the threatened redundancy of 28 senior staff. The action was given the official support yesterday by the emergency committee of the National and Local Government Officers' Association.

Mr. Tom McNally, the Medway branch secretary, said: "We will fight this move. It is a ridiculous and unnecessary action by the council and represents a totally false economy. The sums involved amount to no more than a penny rate and this can easily be saved without redundancies."

The Conservative-controlled council hopes to save £180,000 in the annual wages bill by dismissing the men, including three departmental directors earning up to £11,000 each.

NALGO members in Berkshire are meeting to-night to consider taking industrial action against cuts in staff and services in the county. About 100 workers face compulsory redundancy and among the services threatened are six district education offices.

Rail link grant

BRITISH STEEL is being granted £248,000 by the Department of Transport towards the cost of taking steel from Teesside to Sheffield by rail.

The grant will help offset the £496,000 cost of providing rail freight facilities at Sheffield.

Scottish companies fined for asbestos offences

BY OUR LABOUR STAFF

TWO SCOTTISH companies were fined a total of £16,500 yesterday for contravening the asbestos regulations.

The Sheriff's Court, Edinburgh, was told that clouds of dust containing asbestos were in the atmosphere while employees of William Waugh scrap metal merchants demolished an asbestos-wrapped water tank at the Scottish and Newcastle Breweries yard, at Fountainbridge, in March last year.

The men had no special clothing, respiratory equipment or changing accommodation and ate meals on the site.

Waugh, of West Harbour Road, Edinburgh, who admitted six charges contravening the 1969 asbestos regulations and the Factory Act, was fined £10,000. The brewery admitted two charges.

An agent for Waugh said the company was ignorant of the asbestos regulations and a solicitor for the brewery said Scottish and Newcastle did not realise the tank had been lagged with asbestos.

● Fewer people were killed and fewer injured at work in 1975, the first full year of the Health and Safety at Work Act, than in the previous year.

The Factory Inspectorate annual report shows there were 427 deaths in industry in 1975, 52 less than in 1974, out of 243,140 accidents (256,930, 1974).

Construction and the railways are still accident black spots, with a risk of death in both sectors four times that of industry as a whole.

Prosecutions under the Health and Safety at Work Act fell, with 1,433 cases in 1975 against 1,826 the previous year. The average fine was £75.

Union official suspended

A SENIOR full-time official of the South Shields branch of the National Union of Seamen has been suspended from office by the union.

Mr. Adrian Pombrey, branch secretary, was suspended without pay following a visit to the branch by Mr. Roy Arnold, assistant general secretary and treasurer, together with an assistant from London.

Mr. Pombrey said there had been an "internal problem" and he intended appealing to the quarterly union executive meeting next month against the suspension. If the appeal failed he would take the matter to the union's biennial conference next year.

The union's general secretary, Mr. Jim Slater, will be told of the suspension when he returns from a trip abroad next month. Meanwhile, Mr. Eric Meadows, the branch's liaison officer, is acting branch secretary.

Mr. Pombrey was made South Shields branch secretary at the end of 1973 after six years as a union official in the London docks.

Last month he failed to obtain the necessary branch nominations to qualify for a ballot now being held to elect a new assistant general secretary and treasurer when Mr. Arnold retires in November.

Recognition move

AN INQUIRY into trade union recognition for Electrical and Plumbing Trade Union members at Commodore Business Machines of Eaglescliff in Cleveland, is to be carried out by the Advisory Conciliation and Arbitration Service. The inquiry, under Section 11 of the Employment Protection Act, will include a ballot of all employees.

The white collar section of the Union of Construction, Allied Trades and Technicians has asked the ACAS to carry out a recognition inquiry on behalf of staff at Howard Doris at the company's Scottish oil platform site.

Attack on Press rejected

CRITICISMS OF the Press, radio and television for their reporting of industrial affairs were rejected yesterday by Mr. David Burnett, director-general of the Periodical Publishers' Association.

Mr. Moss Evans, a leading contender in the election for general secretary of the Transport and General Workers' Union, suggested last week that newspaper owners should be licensed, to protect the public from any abuse of their "potentially dangerous power."

Said Mr. Burnett: "The British Press is the envy of the world. It is considered by most countries as the fairest and most unbiased Press to be found."

Of the suggestion that representative groups, such as the trade union movement, might enter national newspaper publishing financed by a levy on advertising, Mr. Burnett added: "It is the height of naivety (if not worse) for a union representative to suggest that in their hands the Press would achieve greater objectivity.

"The record of the unions in seeking to subvert free editorial expression is deplorable, as any reader of the national Press will

ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. (01-836 3161.) ENGLISH NATIONAL OPERA. Tonight and Sat. 7.30 Die Fledermaus; Tomor and Tue 7.00 Der Rosenkavalier; Fri. 7.30 Katya Kabanova.

COVENT GARDEN. 240 1066. (Gardencharge credit card booking. 836 6903). THE ROYAL BALLET. Tont. 7.30 & Sat. Mat. 2: Swan Lake. Tomor. 7.30: Enigma Variations, Song of the Earth. Sat. Eve. 7.30: La Fille mal gardée. Tues. 7.30: The Taming of The Shrew. THE ROYAL OPERA. Fri. 7.30 Un ballo in maschera. Mon. 7: Otello. 65 Amphi seats for all perfs. on sale from 10 a.m. on day of perf.

SADLER'S WELLS TH. Rosebery Ave EC1. 837 1672 Last Performances. D'OYLY CARTE

THEATRES

FORTUNE. 836 2238. Mon.-Fri. 8.00. Sat. 5.00 and 8.00. Mat. Thur. 3.00. AVRIL ANGERS and DEREK BOND in AGATHA CHRISTIE'S MURDER AT THE VICARAGE 2nd GREAT YEAR

GARRICK THEATRE. 01-836 4601. Evgs. 8.00. Fri., Sat. 6.00 and 8.40. RICHARD BECKINSALE in "Side-splittingly funny." Daily Mail in FUNNY PECULIAR "More good laughs than any other play in London." Observer. NOW IN 2nd "OUTRAGEOUS" YEAR

GLOBE. 01-437 1592. Evenings 8.15. Mat. Wed. 3.00. Sat. 6.00 and 8.40. PETER BARKWORTH, PETER JEFFERY and PENELOPE KEITH "the funniest woman in the West End." Guardian. DONKEY'S YEARS

THEATRES

CINEMAS

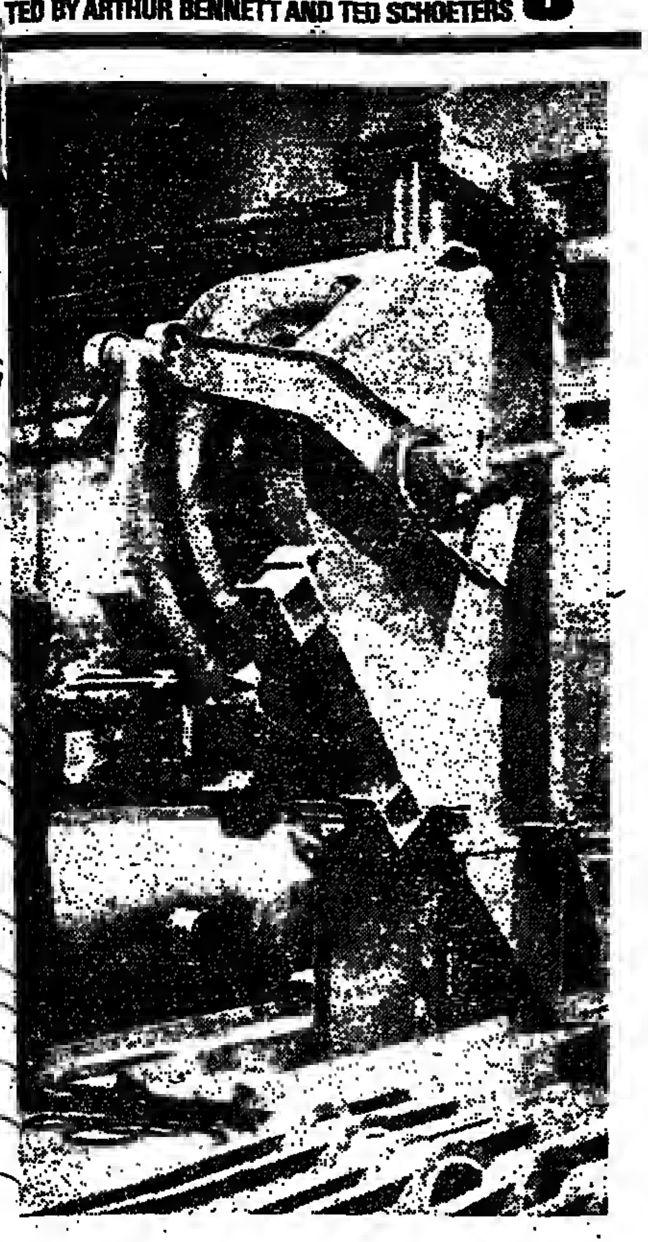
ART GALLERIES

CLUBS

مكتوب من الاصل

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS



Twelve of these gigantic "pulleys" will play a vital role in the accurate positioning of the Castoro VI; at 40,000 tonnes, the world's largest underwater pipelaying barge. Weighing six tonnes each, they are called fairleader assemblies and they were designed by Drexel Engineering Services (BOC), of Montrose, for the barge's owners, Saipem, to include sensors providing information on the angle and direction of the wire lines which run between the barge and the anchors on the seabed.

The angles are calculated in relation to the distances from the barge to the anchors. At the same time, the deflections of each of the 12 pivoted fairleaders will be constantly monitored as the barge is in motion. These values are fed to a central data processing unit which integrates them against other factors, but principally the mandatory requirement to keep the pipe being laid under tension so that damage cannot occur.

The 75mm diameter anchor lines pass between two pulley wheels ahead of the main grooved wheel and a transducer in the axle's housing picks up the angle. Deflection is measured by further transducers in the vertical axis around which the whole unit pivots.

Drexel is despatching the 12 assemblies to Trieste, where Castoro IV is nearing completion. Drexel on Montrose 3156.

● DATA PROCESSING

BUPA goes on-line

BUPA, the private medical insurance group, is to instal a seven screen Harris (formerly Sanders) 8170 interactive, local terminal system linked to an IBM 370/138 at the company's headquarters in Essex Street, London, WC2.

Using the new Librarian/On-line software package from CPP, the Harris displays will be used for the preparation of programme amendments and for submitting compilations and tests directly into the main computer. The terminals will also handle a variety of input control applications including the submission of production runs via the screen instead of punch cards.

With the screen complex will go a substantial expansion of the central equipment scheduled for March 1977. BUPA is to increase disc storage to 1,200 M-bytes and upgrade the current 135 to a 500 K-byte 370/138. The computer maintains files holding the registration and accounting details of BUPA's 2m. subscribers.

Harris operates from 51, Brick Street, London W1Y 7DU. 01-499 9452.

Man-sized reports

MANY computer departments have a requirement for copies of computer-produced reports in a manageable form. The usual way to produce these reports is by photo or xerographic reduction.

Telex is offering IBM users a printer, the "Telex A4" which uses a condensed typeface to produce documents of a manageable size directly, ready for use by management, sales, stores or engineering personnel. This not only eliminates the need to spend money on producing reduced size copies, it also saves on paper.

Printout from the "Telex A4" has the standard 132 characters per line but they are printed at 15 rather than 10 characters per inch, and with the lines spaced at 8 or 10 per inch rather than 6 or 8. The printout sheets are 30 per cent. smaller than the conventional 14 inch by 11 inch printout.

With its built-in controller it can be attached to 360 and 370 mainframes as a plug-to-plug compatible alternative to the IBM 1403-N1 printer and its associated controller. Speed is 1,260 to 1,550 lpm.

Telex Computer Products U.K., 213 Oxford Street, London W1R 1AH. 01-734 9131.

Inforex has shake-up

AFTER a period of low profile operating, Inforex in the U.K. has been reorganised.

One move by the U.S. parent has been to replace the management team. The new U.K. managing director is John Evans who has served with General Automation, CMC, Pertec and IBM.

To some extent the problems have been due to previous false starts and the use of sales agencies rather than the establishment of a U.K. subsidiary company. But there were also management problems, and these are now felt to be overcome.

The second phase of the attack will come in September when the formal launch of the 7000 distributed data processing terminal will take place. This is large screen fully formatted equipment, programmable in Cobol.

Design for dealers

VISUAL display unit VIZ/12, specifically designed for foreign currency and other dealers, is marketed by Arbat. It comprises three separate cable-connected units: the screen (with a character matrix of 80 x 24) which can be inset into the dealer's console desk, placed on its turntable on top of the console, or mounted on an optional extendable stand; a standard alphanumerical keyboard, with a cluster of numeric only keys on the right hand side; and a control unit which is usually mounted on the opposite side of the console. Alternatively, the control which is 15 inches wide, seven inches high and 24 inches deep, can be accommodated in a drawer in the dealer's desk. Interconnecting cables can be up to ten feet in length.

These design features have overcome the disadvantages of the bulky integral type of display which often clutters and absorbs far too much space on a desk. It has also been found that there is a demand by tellers for a more attractive display unit.

Arbat on 01-283 3801 at 147 Leadenhall Street, London EC3V 4PT.

Olivetti in at Norwich

SIX YEARS after minicomputers were first installed at its branches, Norwich Union has ordered 34 Olivetti A5 small computers as replacements. These machines, like their predecessors, are being used to produce life insurance quotations at high speed.

Thirty-three Olivetti A5s with 0.5k capacity are being installed at branches over the next 12 months as the older machines become due for replacement, and a 2k machine at the head office in Norwich. The 0.5k machines can be converted into 1k or more at a later date as complexity or demand for capacity grows, and this will be only marginally more expensive than buying higher powered machines at the outset.

The range of quotations to be produced on the A5s includes endowment and whole-life insurance, unit-linked contracts, personal pensions, house purchase and topping-up schemes, permanent health, in fact over 90 per cent. of the individual life policies issued by Norwich Union.

All the programmes for the new machines have been written by Norwich Union's staff on 0603 692264.

● LIGHTING

Control gear weighs less

TWO BULKY ballasts, weighing about 102 lbs., have been replaced by a choke and igniter circuit operating between phases which weighs only 31 lbs., in new control gear developed by Thorn for its 1600 W linear metal halide floodlight.

As a result it has been possible to change the wattage and produce a 1500 W lamp giving 110,000 lighting design lumens, only slightly less light than the 1600 W 115,000 lumens lamp.

This has enabled the company to offer a cheaper package. It is estimated that in an industrial lighting scheme a third more fittings could be specified at no extra cost using the new system. There is also a saving of about 10 per cent. in energy costs.

The 1500 W MBIL lamp operating from this new circuitry has a life of 3,000 hours.

Details from Thorn Lighting, Upper St. Martin's Lane, London WC2H 9ED (01-836 2444).

● ELECTRONICS

Measures and counts

A DIGITAL multimeter offered by Dana Electronics is able also to function as a frequency counter—not just "a gimmick," states the company, but a logical outcome of the fact that the two functions have some common circuit requirements.

As a 5½ digit multimeter the model 5100 can measures ac and dc volts and ohms and has an 11mm high orange LED designed to reduce eye fatigue. Setting time is only 30 milliseconds. An average ac convertor is standard, but an RMS convertor for working with poor ac waveforms can be optionally supplied. The usual current shunts and high voltage probes can be supplied.

As a frequency counter the instrument covers 10Hz to 20MHz. More from Collingdon Street, Luton, Beds. (0582 24236).

● WOODWORKING

Joints timber off-cuts

SOARING TIMBER costs have focused attention on the possibility of using off-cuts, or good material cut from between defects, such as knots, by finger-jointing the short lengths.

It has been found that by using knot-free timber pieces, the strength of the jointed material is 70 per cent. that of perfect timber, of the same section, and greater than the strength of typical unselected timber.

A Japanese company, Kikukawa Iron Works, which specialises in this type of equipment, has introduced a mini-finger-jointing system. This comprises three machines—a joint cutter which prepares each end of the off-cuts, including glueing, a right-angle transfer unit, and an assembler which forces the fingers on the off-cuts into intimate contact, and cuts the formed pieces into predetermined lengths.

There are two models, one handling timber up to 50 x 215mm. section, and the other for sections up to 50 x 255mm. Each will accept timber pieces of any length between 203 and 2135mm., and will produce joined material up to 4 metres long.

The equipment requires a three-phase power supply and is said to have a typical production output of 180 three-metre lengths of jointed timber/hr. using material of 600mm. average length.

Details from Riverlock, Moneyrow Green, Holyport, Maidenhead, Berks. SL6 2ND (0628 37648).

INSTRUMENTS

...ical forges ahead

D SALES of Racal Instru- "9 Series" of counter- and frequency meters eached £2m. in just over ths since its launch.

he heart of these instru- is the high speed custom- hip developed as a joint by Racal and Ferranti. It uses 5,000 components into e device and, as part of an lon plan into world mar- Racal Instruments has a £300,000 order with d's components division substantial supply of the unction chips.

99 family of instruments n international acceptance acal's exports of digital ing instruments are run- it three times the 1975

Racal's circuits were compressed by Ferranti's designers on the chip for all instruments in the 99 Series which comprises counter-timers and frequency meters covering the range to 3GHz. Two additional models extending the range are shortly to be introduced, the first being a 1GHz-plus version.

The chip confers enormous reliability to the instruments. Operating at 60MHz, it forms an integral part of Racal Instruments' future product plans. It has already been used in the 9081 synthesised signal generator and the company will be further exploiting its capability in many new products.

More from Racal at 21 Market Place, Wokingham, Berks RG11 1AJ. Wokingham (0734) 782153.

...EXTILES

...ool dyeing process

OF the finest colours o be applied to wool are in the use of chrome dye- They are exceedingly and can often represent of as much as 75 per o dyestuffs costs. This better colours at very reduced prices, and of these two aspects the y clearly favours these. major problem has been ted with all the various complex dyes. It is the ion of hexavalent ium which, if released in n present those handling ment with a major prob- the maximum permissible of this highly noxious al in discharge should be e than 0.2-0.5 parts per

uffs manufacturers have to favour what some in the trade call "brink- p" as a partial solution problem. By a very care- ulation of the proportions stuff in a dye bath and mant of wool to be dyed, a is to conclude dyeing e hexavalent chromium largely exhausted in the bath and so a minimal amount is left to be treated.

This, however, is a complicated and even delicate approach to a complex problem.

Now, a new solution has been proposed by the Wool Technical Centre of International Wool Secretariat (Valley Road, Ilkley, Yorks. Tel. 09433 5555) which attacks the problem from a different standpoint.

Unlike brinkmanship, this new concept is based on "overkill" and is both simple and inexpensive. It has been found that by adding edible grade lactic acid to the dyebath the hexavalent chromium can be eliminated and in the first two trials carried out by the Centre it was found that there was a zero pollution content in the discharge.

As far as the wool itself is concerned, tests have revealed that pilling is unaffected—possibly reduced slightly—while abrasion-resistance, tensile strength and elongation at break were somewhat improved compared with wool dyed by the standard chrome dyeing route.

● NORTH SEA OIL

A guide in deep water

LARGEST dry batteries ever manufactured by Vidor (Crompton Parkinson), a Hawker Siddeley company, are being used to power a new type of highpower, undersea ultrasonic beacon. Developed by Marconi Space and Defence Systems it is designed to operate as an acoustic marker on the sea bed at depths down to 1,000 metres as part of an acoustic position measurement system for deep water use.

The batteries provide the electrical power for the beacons and their associated electronic controls. Each consists of a cylindrical stack 0.31 metres in diameter and 0.74 metres high formed from five separate modules. These each comprise approximately 450 individual layer type cells encapsulated in epoxy resin to extremely close tolerances. The end faces of each module are machined flat for ease of stacking and the modules are electrically interconnected by free plugs and sockets.

High dimensional accuracy is essential as the assembled stack, weighing approximately 100 kg., is housed inside a close-fitting water-tight pressure casing on a cradle which enables the complete battery assembly to be withdrawn for periodic replacement. The complete battery has a nominal output of 100 volts with a subsidiary output of 11 volts supplying the electronics and is rated at 150 Ah with a normal operational life of 70 days.

Marconi's Acoustic Positioning System (MAPS) has been developed to meet the needs of offshore oil and gas exploitation in deep water conditions both on and beyond the continental shelf. Signals from a submerged acoustic beacon are monitored by the ship and used to measure its position. The resultant signal can be used purely for position indication, or as a reference for a computer controlled ship dynamic positioning system which enables the ship to remain within a few metres of an absolute position in all but the most severe sea and weather conditions.

Hawker Siddeley Group, 32, Duke Street, St. James's, London, SW1 6DG. 01 930 6177.

● HANDLING

Carries nitrogen to aircraft

TO AID the servicing of aircraft tyres, hydraulic accumulators and oleo struts, a low profile cart carrying three 2,400 psi nitrogen bottles, has been developed by P.F. Industries, Inc., Seattle, U.S.

Each bottle can be individually raised, lowered or replaced. They are carried at 15 deg. above horizontal, and with the cylinders in this position, the cart is under 39 inches high, and stable, making towing or manhandling safe and easy. An automatic brake, actuated by raising the towbar, is fitted to tha four-wheel cart.

High and low pressure systems, with valves and gauges, are fitted for each cylinder, and the cart carries two 12 feet long ¼ inch hoses. The low pressure is used for tyres and hydraulic accumulators at 400 psi, and the high pressure regulator serves oleo struts at 2,400 psi.

The cart, which can be used to carry any gas cylinder, is 48 inches wide and 84 inches long. The total bottle volume is 224 cubic feet.

Details from the U.K. agent, Applied Technology Co., Heathrow Airport, Hounslow, Middx. (01-759 2811), a Hunting Group company.

PARLIAMENT

Devolution Bill will command no real majority, says Pym

BY JOHN HUNT

THE GOVERNMENT'S devolution legislation is so defective and has so little support in the Commons that it should be withdrawn, in order to give MPs time for second thoughts, Mr. Francis Pym, Conservative Shadow Leader of the House, urged last night.

Speaking at the start of the crucial debate on the Government's proposal to guillotine the committee stage of the Scotland and Wales Bill, he declared that there was no real majority in the House for the legislation.

"If even half the arguments we have heard have been half-right, then the Bill is already shown to be seriously faulty and should be looked at again," he maintained.

Calling on MPs to reject the guillotine motion, he again pressed the Government to accept the Conservative Party's proposal that the Bill should be withdrawn, so that an all-party convention could try to reach a consensus on the best approach to devolution.

But from the Government front bench, Mr. Michael Foot, Leader of the House, pointed out that the guillotine motion would still allow a further 20 days of debate on the measure in the Commons. This, he said, was more generous than for any other major constitutional Bill since the 1930s.

Although Mr. Foot poured cold water on the suggestion of an all-party convention, he did not explicitly reject it. He stressed that the Government was still prepared to discuss any sensible suggestion from any quarter during the remaining stages of the Bill.

In a good-humoured speech opening the debate, the Leader of the House was at pains to woo the dissidents on the Labour benches, who had threatened to vote against the guillotine and defeat the Government.

Mr. David Steel, the Liberal leader, intervened at an early stage to say that his party would not be voting for the guillotine.

Nevertheless, there were still ample signs of bitter hostility from Labour's anti-devolutionists. Mr. Tam Dalyell (Lab., West Lothian) maintained that the real message of the Bill was only now beginning to percolate through to Scotland.

"It is not possible to have a legislative assembly, a subordinate parliament, in part—but only in part—of a unitary state," he argued.

Opening his attack on the guillotine, Mr. Pym said it was no ordinary motion. The Bill created a new situation, and comparisons with the past were not valid.

The legislation went to the heart of the Government of Britain and affected the House and every MP directly. It was a constitutional change of infinite significance.

Nobody should be under any delusion about the gravity of the misgivings and forebodings expressed in the House. There had been continual expressions of alarm at the implications of the Bill. The doubts and fears of MPs had echoed round the chamber.

"The House has been saying loud and clear to the Government: 'Think again.' That is the message that has been ringing out in this chamber," he went on.

That was why more time had to be taken over the matter. The House had never made constitutional changes hastily. "Any Government that seeks to make constitutional changes must make and prove their case overwhelmingly. Demonstrably, this is not so in this case.

"In my view, there is no genuine majority for this measure in the Commons. There is nothing in the House that could remotely be described as a conviction in favour of it.

"I don't see Ministers stumping the country advocating the merits of this Bill. I find myself deafened by their silence."

According to Mr. Pym, the Bill was too big for the Commons to debate adequately or digest. At the same time, alternatives were open to the Government.

Some suggested that a referendum should be held now, although Mr. Pym did not favour this himself. Others wanted the independence question put to the people of Scotland now but he did not think this would carry the matter any further.

The final possibility was the one the Conservatives were advocating—the withdrawal of the Bill and the calling of an all-party convention. He realised that Mr. Foot did not like the proposal but in his opinion it was the correct course to follow.

"This particular scheme of devolution has been shown to be so defective that I don't think it is a sound basis on which to continue," he added. "So there is no vital urgency about this legislation."

For the Government, Mr. Foot recalled that there had been at least 10 guillotines on major constitutional Bills since 1887.

"I believe it would be very dangerous for the House and the country if it were decided now to deny the legitimate claims of Wales and Scotland."

Poking fun at Mr. Pym's suggestion of a constitutional convention he said that it seemed to represent a belated and half-hearted conversion on the part of the Tories to the principle of devolution.

He compared it with Gibbon's description of the Emperor Constantine "who left his conversion to Christianity until such a late date that there could be no temptation or danger of a relapse."

At this, Mr. Edward Taylor, Conservative shadow Scottish Secretary, intervened to point out that Government Ministers had not exactly been displaying great enthusiasm for the Bill themselves.

But Mr. Foot reminded him that at least the Government had won large majorities for the measure in the votes in the Commons.

He denied that the guillotine would mean lack of debating time. A total of 15 days had already been spent on the Bill and the guillotine motion allowed another 20. In addition, there had been lengthy discussions preceding the Bill and a Royal Commission had reported on the subject.

Many of the matters the Conservatives were now saying should be discussed could have been raised at an earlier stage. He thought that the bringing forward of the guillotine motion had been the factor which had made the Opposition suddenly concentrate their minds.

The legislation, he said, protected the sovereignty of Parliament and that was why the Government rejected the other solutions proposed. In particular, the Liberal proposal for a federal solution would disrupt the sovereignty of Parliament.

"But there is still plenty of time for the House to consider any sensible proposals that come from any quarter," he emphasised.

I'll vote against—Dalyell

BY IVOR OWEN, PARLIAMENTARY STAFF

IN A WIDELY acclaimed speech, Mr. Tom Dalyell (Lab., West Lothian), a leading opponent of the Bill, was the first Government backbencher to announce that he would vote against the guillotine motion.

He argued that the best course would be for the Government to drop the Bill and predicted that if they did so, the result would only be relatively few "strident screechers" from certain Scottish newspapers and a number of angry people, mainly connected with the Scottish Nationalist Party.

Amid cheers from opponents of the Bill on both sides of the House, Mr. Dalyell declared: "Otherwise, the main reaction would be sighs of relief and astonishment that the Assembly kite could ever have flown so high in the first place in the political firmament."

Return to free bargaining means chaos—Callaghan

BY PHILIP RAWSTORNE

A RETURN to free, collective bargaining this year would mean "free, collective chaos," Mr. James Callaghan told the Commons yesterday.

"We must have another pay agreement," he declared—though with modifications and greater flexibility to overcome the problems of differentials.

The Prime Minister, while rejecting the removal of pay restraint suggested by Mr. Norman Atkinson, Left-wing Labour MP for Tottenham, agreed with him that the rate of price inflation was a major problem in the Government's talks with the unions.

"The Government will take every realistic step it can to control prices wherever possible," he said. "But there are limitations on a country so dependent on imports."

Pressed earlier by a Tory MP, Mr. Michael Latham (Melton), Mr. Callaghan said that, apart from inflation, there were other economic factors which were turning in the country's favour.

"Exports are rising, sterling is more stable, the money supply rate of increase is declining rapidly, interest rates are falling and industrial output is rising."

● The Government will be looking for European or international solutions to the problem of youth unemployment, Mr. Callaghan told MPs. He hoped to raise this "specially difficult problem" during forthcoming international talks, he told Mr. Ian Wrigglesworth (Lab., Thornaby).

Mr. Wrigglesworth had asked for increased Government support for training programmes, so that not a single training place should be left vacant.

Mr. Callaghan warned against drawing too many deductions from last month's decline in the unemployment rate. But he added: "It is encouraging that there has been an increase in the number of vacancies, and decrease in the amount of short time working."

MR. NORMAN ATKINSON

● Mr. Callaghan refused a call for a comprehensive reform of a "silly throwover from public school fagging systems" the Government's cherished institution of Parliamentary Private Secretaries.

Mr. Neil Kinnock (Lab., Bedwellty) had wanted the number of PPSs to be reconsidered.

"We really ought to stop silly throw-over from the school fagging system, and unwarranted extension of Ministerial patronage," he said.

Lords pay tribute to Crosland

THE LORDS yesterday paid their tributes to Mr. Anthony Crosland, the former Foreign Secretary, who died at the weekend.

Lord Goronwy-Roberts, Foreign Office Minister, said: "Anthony Crosland... was struck down literally in the harness of duty."

"He died as he lived, a man surrounded by the love of family in whom he delighted and knowing not only they had worked to high purpose also that he had lived according to the higher graces of humour, good taste and faith."

Mulley is disappointed over arms talks

By Our Parliamentary Correspondent

DEFENCE SECRETARY Mr. Fred Mulley spoke of his disappointment yesterday at the response from the East to the Mutual and Balanced Forces Reductions talks in Vienna.

He said in the House of Commons: "We are disappointed by the lack of response from the East to Western attempts to bridge the gap between the positions of the two sides."

However, Mr. Mulley promised: "We will continue our efforts to reach an agreement based on an outcome of parity."

He had been asked about the talks by Mr. John Watkinson, Labour MP for West Gloucestershire, who asked about the content of reductions in national forces as a way of speeding up the talks.

Mr. Mulley replied that such a proposal would be contrary to the NATO idea of a collective role.

Mr. Ian Gilmour, Opposition spokesman on defence, asked what arrangements had been made to link the MBFR talks with those being conducted between the U.S. and Russia over a SALT agreement.

Mr. Mulley pointed out that the U.S. was very good at keeping its allies informed of what was happening, and he hoped to see progress on both fronts.

Expenditure White Paper on Friday

By Our Parliamentary Correspondent

THE SECOND volume of the White Paper The Government's Expenditure Plans will be published on Friday, Mr. Joel Barnett, chief secretary to the Treasury, stated in a written reply in the Commons.

He told MPs that it will contain details of individual expenditure programmes and other supporting material.

Replying to Mr. Norman Tebbit (Con., Chingford) Mr. Barnett said the increase in total public sector debt per head between March 31, 1974 and March 31, 1976 was estimated to have been £365 per head.

Nett borrowing from April 1, 1976 to September 30, 1976 amounted to £95 per head.

New peer

MR. BRIAN FAULKNER, the former Northern Ireland Prime Minister, took his seat in the House of Lords as Lord Faulkner of Downpatrick yesterday. His sponsors were two former Governors of Northern Ireland, Lord Erskine of Rerrick and Lord Grey of Naunton.

City launches widespread attack

BY JOHN ELLIOTT, MANAGEMENT EDITOR

A WIDESPREAD attack on the Bullock Report from leading City figures and institutions was launched yesterday in an effort to persuade the Prime Minister not to introduce legislation later this year on trade union based worker directors.

Detailed statements are now being sent to the Prime Minister warning that implementation of legislation based on the Bullock report would handicap management and inhibit foreign investment in the U.K.

This would be "a blow to confidence which could only be restored over a number of years," according to a statement issued yesterday by Sir Eric Faulkner, chairman of Lloyds Bank, and Mr. Ian Fraser, deputy chairman of Lazard Brothers.

With Mr. Peter Moody, joint secretary of Prudential Assurance, Sir Eric and Mr. Fraser gave evidence to the Bullock Committee last year.

The view of these City witnesses, who appeared before the committee in their personal capacities, were reflected in the Bullock Report which said:

"The witnesses from the City felt that ... confidence might be damaged by the investors' perception of what might happen as a result of Board level representation ... the possibility of interference with the efficiency of management, leading to a reduction in the profitability of companies."

But the report did not act on these worries and yesterday Sir Eric and Mr. Fraser (in the absence abroad of Mr. Moody) said that implementation of the report could "result in a further setback to that recovery of business confidence in this country which is a prerequisite for our economic recovery."

Stressing that they were in favour of other general forms of employee participation and did not object in principle to voluntary worker directors, they said that the Bullock "2X + Y" parity formula would "create a block vote which must slow the process of decision making and handicap management in the execution of its duties."

In his written evidence to the Committee, which was published yesterday, Sir Eric had said: "At present only 51 per cent. of the voting power of shareholders in general meeting can give full control of a company, but it is widely recognised that 40 per cent. ownership can effectively give a negative control.

"In my view in similar manner, a large representation of workers on the Board could have the same psychological effect and this must influence the lender." He said yesterday that this meant workers should not have more than 25 per cent. of a Board's seats.

Sir Eric and Mr. Fraser also warned yesterday that the Bullock proposals would "weaken the rights of suppliers of ultimate risk capital—the ordinary shareholders"—would disenfranchise overseas employees of U.K. companies, would inhibit investment in the U.K. from abroad, and would disrupt management teams by reducing the number of executives on a Board.

This amounted to a "serious disincentive to lenders and investors" said Sir Eric and Mr. Fraser, who have sent copies of their evidence and their latest views not only to the Prime Minister but also to the Chancellor of the Exchequer and the Secretary for Trade.

In his evidence last year, Mr. Fraser argued that "unless and until loan creditors acquire a satisfactory familiarisation with the new regime—and this may take years—there will inevitably be a greater or lesser degree of belief that the objectives of trade union directors will be to secure different objectives to those sought by shareholder directors."

This, he explained yesterday, would mean there would be a "learner period in which the cost of capital will go up because the confidence of unsecured lenders is crucial."

These views are being backed up by a number of City institutions. The Stock Exchange, which described the Bullock proposals as "disastrous" earlier this month, is preparing a detailed criticism of the report for submission to the Government.

The British Insurance Association, which has backed the Bullock minority report's idea that financial institutions ought to be exempted from any legislation, is also preparing a submission as is the Association of Investment Trust Companies which yesterday dismissed the Bullock report's consideration of the three City experts as "superficial in the extreme."

Bid to ban animal experiments fails

TO MAKE safety testing of any product—whatever its character—a criminal offence would be fundamentally wrong, Lord Harris, Home Office Minister of State, told peers.

This was the basis of Government rejection of a Private Member's Bill presented by Labour peeress Baroness Phillips which would outlaw the use of animals in experiments solely for testing cosmetics.

Lord Harris said testing cosmetics was indistinguishable from safety testing of other substances—drugs, pesticides or other household products.

"The Government had to be satisfied that there was a problem of such a great character that the criminal law should be changed in the way the Bill proposed.

"The Government does not believe any such case has been made out."

It might be argued that cosmetics had a frivolous purpose. But what ever one's views on this, testing served a serious and most important one—the prevention of avoidable hazards to health.

The risks were not only run by the people who used cosmetics.

"They are run by children who swallow them accidentally, by the staff who administer them at hairdressers and beauty salons, and also by those involved in their manufacture.

"Establishment of the safety testing, whatever the use of the substance, is of fundamental importance. In some cases animals simply have to be used if safety is to be guaranteed."

Despite claims to the contrary, the numbers of animals used in cosmetic testing was relatively small—an estimated 50,000 experiments a year.

If the Bill were passed, it would be unlikely to reduce animal suffering in any way. All that would happen was that testing would carry on in other countries where controls were a great deal less stringent than in Britain.

Plans for a more comprehensive annual review of animal experiments were making good progress, and it was hoped that a completely new return to be made by licensed testers would come into force at the end of the yera. ...

Written Answers

INDUSTRY

Mr. Paul B. Rose (Lab., Blackley). Whether the Secretary of State will now consider the production of the ... being developed by Hawker Siddeley prior to the vesting date for public ownership of the aviation industry? What he will state the sums spent on development and sum required to guarantee production?

Mr. Leslie Huckfield, Under-Secretary. The Government is currently reviewing HS146 ... assessment of the project, including the question of ... costs if the aircraft is to go to production. We are at the ... time seeking the views of the Organising Committee and unions on the project. ... Government has so far ... committed £11.26m. in the project, including underwriting the current £3.5m. continuing development programme.

ENERGY

Mr. Ioan Evans (Lab.-Co., Aberdare). What is the total invested in new mining and reconstruction schemes in the South Wales coalfield since 1974?

Mr. Alex Eadie, Under-Secretary. Expenditure on new mining and construction schemes in the South Wales coalfield between March 1974 and December ... was approximately £17m.

Mr. Tim Renton (Con., Mid Sussex). Until what year is it considered that the North Sea reserves will enable the U.K. to be self-sufficient in oil and gas?

Dr. J. Dickson Mabon, Minister of State. Our proved and probable reserves should last into the 1990s at least. The exact period of self-sufficiency depends on the scale of reserves still to be discovered and the Government's licensing and depletion policy during the 1980s.

Pay bed list by early May

BY OUR PARLIAMENTARY STAFF

THE GOVERNMENT is planning to publish its full list of the 1,000 pay beds to be withdrawn from National Health hospitals in Britain by the beginning of May.

Health authorities in England who have been consulting locally on the issue have been asked by the Department of Health and Social Services to submit their detailed proposals for implementing the scheme by February 28.

The timetable towards the phasing-out operation was detailed in the House of Commons last night by Mr. David Ennals, Secretary of State at the Department.

The date, he explained, "will allow reasonable time for considering the recommendations and for the preparation and issue of revised pay bed authorisations well in advance of the statutory requirement, which is that this should be done by May 21, 1977.

The authority to remove the 1,000 pay beds from National Health Service hospitals was contained in the Health Services Act, 1976 which stated this must be done within six months of the Bill receiving its Royal assent.

CITIES OF LONDON AND WESTMINSTER SOUTH

Hard to feel sorry for also-rans

ASPIRING POLITICIANS are not ones to arouse sympathy—and least of all those who stand for the most conveniently situated constituency in the country. For the Conservatives there is the hefty consolation that they will certainly win tomorrow's Westminster by-election, and put Labour in an overall Commons minority of one.

But for the other nine candidates it is hard not to feel a little sorry. Their biggest problem is not so much how to win, but how to get across the fact that a by-election is taking place at all.

The Cities of London and Westminster South is an oddity by any standards. Some 52,000 people are on the electoral register.

Yet the area it covers, a strip just north of the river stretching from the City of London in the east through the Strand and Covent Garden, Soho, Mayfair and on to Pimlico and Belgravia in the west, teems with perhaps 20 times as many on an average weekday.

Father Brown once remarked to Flambeau that the best place to hide a leaf was in a forest; and it needs the wisdom of Chesterton's detective to pick out the eligible voter from the masses of commuting office workers and tourists on the streets of central London.

Campaigning is inevitably distorted. A random street appearance by one candidate only bewildered a bevy of Brazilian ladies, and posters and stickers are drowned by other more alluring signs in places like Soho and Mayfair.

Meetings are no more productive. Last Thursday Mr. William Whitelaw, normally one of the Tories' biggest grass-roots draws, attracted barely 60 to hear him harangue the evils of Socialism at Caxton Hall.

Nor is the constituency in any real sense one. Soho and Belgravia are as unlike as Devon and Darlington.

The issues differ locally: in the City it is the threat of the proposed *anschluss* by the Greater London Council to take away its independent local authority status, in Covent Garden the problems of inner city renovation, in Soho, how to roll back the engulfing tide of porn.

Nor is the constituency in any particular MP for the constituency have the same impact, when the Mother of Parliaments herself stands foursquare in its midst.

The previous member, Christopher Tugendhat, who has left to join the EEC Commission in Brussels even dropped the usual practice of a regular "surgery" for constituents because nobody turned up. If you wanted to see him you made an appointment.

The turnout figures tell the same tale. In October, 1974, only 53.2 per cent. voted against a national average of almost 73 per cent., and this time without the mobilisation of a general election, a 50 per cent. showing will be an achievement.

Forgotten

It is a place of the old (perhaps 16 per cent. of its inhabitants are over 65) and of the rootless: the "turnover" of electors every year is reckoned at around a quarter.

What battle there is takes place therefore where real urban communities exist, the Barbican in the City, Soho and Covent Garden, and above all in the council estates tucked away close to the river, in that forgotten tract of S.W.1. bounded by the Chelsea Bridge Road, Victoria and Victoria Street.

Any message to the Government will come from there, and the signs are it will not be encouraging.

The Labour candidate is Malcolm Noble, a 30-year-old head of Business Studies at a Streatham comprehensive, and chairman of the Lambeth Borough housing committee.

In party terms, he is on the Left (Tony Benn, Barbara Castle and Norman Atkinson are among his guest speakers), but not unduly so.

He is against further public spending cuts, and favours a London tourist tax to provide more money to help London's housing and social service amenities, as well as an end to the "undemocratic" status of the City of London.

Commitment

But realism ("I don't think I'll be bothering with Belgravia") and commitment are not enough to raise Labour morale in these dark days.

On the Peabody Estate, just off Horseferry Road, the faithful still mostly promise him their votes but the warning signs are unmistakable. In Central London it is not unemployment that hurts so much as prices and taxation, both national and local.

The elderly are bitterly resentful that pensions are taxed, and trade unionists are disgusted by the threat of further pay restraint.

One, at least, plans to vote Conservative for the first time in his life. "At least if they get in, the unions will fight to end the pay policy."

For the Conservatives this is manna from Heaven. Their candidate, Peter Brooke, son of the former Home Secretary (now Lord Brooke of Cumnor), is out to improve substantially his predecessor's 5,761 majority, and claims big headway in the traditional Labour wards of Churchill and Millbank.

He is Rightish, and admits to the belief that the Heath years were a deviation from the fundamentals of Conservatism.

At a guess, he is unlikely to glitter in Parliament, but at 42, and chairman of an international management consultancy, he will fit in well with the *uniform* executive competence that provides the main flavour in the Tory back-benches nowadays.

Silver spoon

If politically he was born with a silver spoon in his mouth, Brooke has served a brief but harsh apprenticeship, waging in October, 1974, a hopeless fight in the Bedwellty mining fief of Neil Kinnock in South Wales.

To-day, a self-confessed free market man, he warns that the City would be killed "stone dead" if it fell under the control of the Socialist-led GLC and argues that the City Corporation is an efficient, responsible and cheap unit of local government whose spending has grown at a third the rate of the GLC.

But he admits that the biggest single issues of central London—rents and rates, are more the province of the GLC than a single constituency MP.

He is a confirmed Thatcherite, and having witnessed the Tory leader's walkabout last week, it is easy to see why. On the Churchill estate in Pimlico, in a Soho old people's home, she was tremendously effective, interested in other people's problems and barely preaching party politics at all.

Like that other non-voting constituent at Buckingham Palace, her presence is enough to get the point across.

The Liberal banner is carried by Angus Scrimgeour, a 32-year-old City banker who spent ... years living in Belgravia, who advocates a more democratic voting process for the City of London.

Assortment

His best hope is to push Labour out of second place. ... recent by-elections do ... suggest he will.

The other seven contestants are a motley assortment, from anti-pornography and civil rights champions to candidates from the National Front and splinter group the National Party—whose support for repatriation of immigrants and law and order could steal some Tory votes.

But for real excitement, an unofficial second Conservative candidate should run, threatening a party split.

In 1931, just that happened. Rothermere and Beaverbrook put up their own man in Westminster St. Georges (one of three constituencies merged to form the present one) to challenge Baldwin's leadership.

That consummate politician staved off the threat, accusing the two Press magnates of "seeking power without responsibility—the prerogative of the harlot throughout the ages."

Then though, the stakes were high enough, and India a serious enough problem—for it to be said that "Gandhi is watching St. Georges."

To-day the Mahatma's namesake has enough of an election battle on her own hands to worry too much about the goings-on in Westminster.

مكتبة من الأصل

The Management Page

EDITED BY JOHN ELLIOTT

L INDUSTRY BID

BY RAY DAFTER

Survival of an independent

; BID BY British Petroleum Century Oils raises a tinu about the future role idependent companies. The Energy Commission, for ince, has already written to rnments, emphasising the to retain small and ium sized groups, and the s involved extend much r than the energy sector.
ie Monopolies Commission now examining the BP-ury bid and it also has a 'ar case on its hands from her industry—a bid by ock and Wilcox for Herbert is, the Loughborough crane ifacturers.

la one thing however to iinise the factual results possible takeover, like the ilishment of an overwhelm- dominant role in a par- ir market place or, even ler, the creation of a opoly. It is much harder alnate the way a deal will the public interest. This ien depends on the spirit companies and, in par- r, of their employees.

doobt with this in mind, ny has been keen to nstrate the solidarity of oyee opposition to the BP bid which has now withdrawn in favour of Monopolies Commission ence. Mr. Charles Mitchell, man and managing tor of Century, maintains 806 of the 807 employees ebind the company's battle main independent. (The iter is said to be unknown; is known, his identity is kept a secret.) unpretentious head office n the outskirts of Stoke- ent is festooned with rs and slogans: "No Sale of the Century Here" and "Independent Are We, Say No to BP." Some of the more extrovert secretaries sport strategically-positioned "Hands Off" stickers on their sweaters.

Mr. Mitchell accepts that in financial terms and of the concept of the whole oil business, Century is a David trying to fend off Goliath. The analogy is extended to the stature of the central personalities involved: Mr. Denys "Tiny" Milne, the 6 ft 6 in chief executive and managing director of BP Oil—reckoned to be the biggest man in the U.K. oil industry—would tower over Mr. Mitchell.

BP was anxious to link Century with its Alexander Duckham subsidiary, thus strengthening the group's position in the lubricants field. Mr. Milne, who is also chairman of Duckham's, said he saw the two companies (Duckham and Century) as being autonomous and complementary; each had about the same size of turnover and virtually identical staffing levels. Duckham's had an important share of the retail lubricants market (18 per cent., with BP Oil having a further 8 per cent.) while Century was strong in the industrial market.

According to Mr. Mitchell, Century has gained between 10 and 12 per cent. of the industrial luhricants market and a dominant share of the special oila used for mining.

"We are not the best company when it comes to flogging oil," he said. "We are joterested in selling a service. You could say we are not particularly interested in oil—we are not explorers, we don't have oil wells or primary refineries. Oil just bappens to be a raw material. But we occupy a specialist area in the industry based on the pbilosophy that the more work content and tecbnology, the better it is for us."

Both management and employees of Century Oils have been making energetic efforts to maintain the company's independence in the face of a takeover bid by BP.

The specialisation is apparent. Century manufactures a range of 1,500 individual products; these earned the group £14m. in sales and a pre-tax trading profit of £820,000, in the fioancial year ended March 31.

Recently the company formulated a new lubricant for use in air-to-sea missiles. The 7 lb sample was despatched and a little later came the reply: "Thank you—that will last us for years." Even the larger consignments are prepared in mixers, the speeds of which are governed by salvaged scrap tractor gear boxes.

Century is also committed to the recycling of waste oil and it is therefore particularly worried about the BP bid. There could be a conflict of interest between primary refining operations and the recycling of used oil. Mr. Mitcbell contends that the driver collectors of the waste are entrepreneurs who have to negotiate prices for "scrap oil." This raises the question of whether this would fit in with the image of BP and of how a BP buyer would be treated if he turned up on a Shell garage forecourt.

This possible conflict of interest is believed to be one of the aspects under consideration by the Monopolies Commission. Other areas likely to be explored include the effect on the competitiveness of the lubricants market by the loss of a significant independent company; the effect on market shares of certain products formed by a Century-Duckham liaison; and BP'a willingness to supply a full range of low-volume sepcialist lubricants.

BP's approach was not the first. Several groups bad offered takeover or merger terms althougb each, according to Mr. Mitchell, had heen convinced of Century's desire to remain independent. But when stock market prices were at depressed levela last year, the company knew it was vulnerable to a fresb bid.

And yet Century is not averse to using the takeover approach to growth. In the past 20 years it haa acquired, four main groups, John O. Scott, Snowdrift Lubricants, Amicoil, and the Braybrooke group of companies. "We feel that a lot of independent companies which have problems in keeping up with technological requirements or in having enougb strength to compete in the market would like a change in status," said Mr. Mitchell. "We are not against considering adding to our own company'a strength but we would not buy an unwilling seller. That is a formula for many problems."

So Century is planning to consolidate its growth by improving its unflattering export record and taking its specialiat products into overseas markets through new subsidiaries. Eastern Europe is seen as a likely market for its mining industry lubricants, for instance.

But wbat bappens if the Monopolies Commission finds there is no cause for concern and BP is left free to repeat its offer? "Then we will pull out all the stops and fight," commented Mr. Mitchell. "Up to now we have kept a low profile." (The campaign to date has largely rested on the shoulders of the employees, backed by three local MPs.)

No doubt Century will make as much capital as possible out of its proclaimed employee loyalty. I would not be surprised if the group did not push into the limelight stacker/driver Mr. Joe Rowland wbo, at the age of 50, was made redundant by British Rail after 25 years' service. He is the resident poet at Century's Stoke works. On the day after the bid he was seen moving a cask on which was cbalked a poem entitled: "Is This The End of Century?"

When I visited Stoke another poem had appeared (a coincidence?), this time on a storeroom notice board: "To compete is the incentive, success its just reward. Attained thro' sheer endeavour, Accepted with accord."

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

I own a combined bouse and shop. During the last lease the shop was closed for trading and the tenants want a new lease at a lower rent in consequence. With the shop closed, could we be controlled by the local rent office? Could we demand that it be re-opened? Assuming the shop remained closed for some years could the occupants demand it be treated as a house only?

The position will depend on the terms of the tenancy under which you last let the premises. If, as is likely, the lease requires the shop part of the premises not to be used otherwise than for the purpose of a shop, or contains some similar restriction, you can insist that it is not used as part of the dwelling. The rent would then, of course, be as for a shop with living quarters. You should, in any case, act quickly to assert your rigbts, and shonld not accept rent until the matter has been resolved. It is unlikely that you would have a positive convenant in the lease requiring the shop to be kept open—without such a covenant you cannot require it to be opened agaio. The letting would not come within the Rent Acts or tbe purview of tbe Rent Officer if there is a covenant against use otherwise than as a shop and you enforce that covenant; but your right to do so might well be lost if you do not enforce it promptly.

Agricultural tenancy

I am a farmer and have a vacant house recently occupied by an employee.

Is there any way in which I could let this house (furnished or otherwise) so as to be able to regain possession in a year or 18 months for occupation again by an agricultural employee?

In view of the provisions of the Agriculture (Rents) Act 1976 it is now very doubtful if you can effect a letting which would enable you to be sure of recovering possession unless you were to make a holiday letting for a specified period of the year only. You should consult a solicitor as to the drafting of the tenancy agreement if you do wish to let the property.

Tax on gilts

I bought gilts and my brokers added an accrued interest for three months. Should they not, as paying agents, have deducted tax at source?

We think that deduction of tax should have been made as the brokers were the people through whom a payment within Section 109(1) of the Income and Corporation Taxes Act 1970 was made (see Section 53 of that Act).

*

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Viscount to develop both industry and the market

BY GUY DE JONQUIERES

FEW MEMBERS of the Brussels Commission in recent years have brought to their job a more intimate or sophisticated appreciation of how the EEC's political machinery operates than has Belgium's recently appointed Commissioner, Vicomte Etienne Davignon. Though only 44, he is respected in the inner circles of power in the Community as a skilled diplomatic mediator who has often played an influential behind-the-scenes role in circumventing obstacles and finding new channels of co-operation between Governments of the Nine.

In 1970, when he was already head of the political section of the Belgian Foreign Ministry, he was instrumental in setting up a new system for regular and informal consultations between senior Foreign Ministry officials. Out of this grew the so-called "political co-operation" sessions, where EEC Foreign Ministers discuss ways of concerting their foreign policies more closely, and which have now become a fixture on the Community calendar. Since 1974 his jobs have included being the first chairman of the International Energy Agency in Paris.

Now M. Davignon has been given one of the Commission's more interesting portfolios, an amalgam of the internal market and industry departments, which were previously looked after separately by two Commissioners. His diplomatic skills have been given an outlet in the form of special responsibility for negotiations in the EEC's current trade dispute with Japan, and he is likely to have an important say in the conduct of the multilateral trade negotiations in Geneva later this year.

Understandably, dealing with Japan over problems like shipbuilding has absorbed much of his time in the six weeks since he joined the Commission. But while emphasising the need for immediate steps to be taken by the Japanese to correct their growing surplus in trade with the EEC, he has no illusions that these will provide long-term solutions to basic structural problems of European industry. "There is no question that we are going to solve all our problems by asking the Japanese to pay for them exclusively. You have to link your trade policy with your internal policies."

To British ears, accustomed to a litany of lamentations about under-investment, low productivity and falling output, M. Davignon's assessment of the prospects for the weaker sections of European industry sounds disarmingly optimistic. "The profound dejection over our capacity to compete is excessive," he says. "There is no reason why (other EEC countries) can't match the performances of Germany or Japan or the U.S." He maintains that some older European industries like textiles and steel are too often written off as being completely inefficient, whereas some of their component sectors are highly competitive.

By the same token, he rejects suggestions that resources should systematically be switched out of inefficient heavy industries and into other, more productive, sectors in order to enhance international competitiveness. Not only would this cause serious upheavals in the labour market but it would also be ultimately self-defeating because other EEC countries would become increasingly dependent on imports of heavy industrial products.

Vicomte Etienne Davignon, EEC Commissioner for the internal market and industry departments.

Not surprisingly, M. Davignon is wary of offering any pat solutions to problems of industrial inefficiency which have defied national Governments for a number of years. But he does feel that the fact that such difficulties are now being felt to greater or lesser degree in all European countries argues for a Community-wide approach, in which the Commission should be able to play a part. He also recognises that Brussels will have to struggle to make its voice heard by Governments and industry.

"We must learn to make ourselves indispensable by showing that we can produce better solutions. This is something that is very familiar to people from smaller countries. You may be asked to sit around the table, but you won't be listened to automatically just because of the nameplate in front of you."

In this respect, the Industry Directorate which he has taken over has proved a notable failure in the past. The Commission has autonomous powers of action under the EEC treaties only in the coal and steel industries. Its efforts to define grand strategies for Community-wide programmes in other sectors, such as aircraft and computers, were often regarded by those at whom they were directed as irrelevant interference, if they were listened to at all.

M. Davignon, perhaps rather charitably, ascribes the failure of these plans mainly to the fact that they were drawn up at a time when it was widely expected that robust economic growth would continue indefinitely and that Europe would move briskly towards full economic and monetary union. Neither prospect looks nearly so promising now. But he also acknowledges that the Commission tried to impose its ideas from above, without consulting Governments, industry or trades unions fully enough.

"One of my main preoccupations is that the Commission and specific directorates concerned should become much more an open house for industry and trades unions than they have been. My intention is to lay a heavy stress on a much more continuing dialogue with industries organised at the European level. Almost all industries have such organisations and trades unions too," he says.

This pledge will no doubt be welcomed by European businessmen and union leaders who consider the Commission to be too remote and bureaucratic. It should also have a hearing on M. Davignon's handling of another of his responsibilities which has provoked some controversy in the past, the internal market. He favours the pragmatic attitude adopted by his Danish predecessor, Mr. Finn Olav Gundelach, especially towards removing technical barriers to trade. This should be done, he believes, by concentrating on barriers which really cause commercial disruption and not by harmonising standards for the sake of harmonisation: thus there is unlikely to be a rebirth of such proposals as the Commission's recently-abandoned plan for "Euro-beer."

M. Davignon is also in charge of drawing up proposals for European company law and worker participation. He has clearly not had the time to give these subjects more than cursory attention and freely admits that he has not yet got around to reading the Bullock Report. "You don't have much more than 14 hours in a working day, so you can't do everything," he says with calculated understatement.

At present he places a higher priority on rationalising Europe's shipbuilding capacity —for which the commission is expected to issue proposals later this year — and on devising a follow-up to the so-called Simonet plan for voluntary production cuts in the steel industry, which runs out at the end of April.

He acknowledges that the Simonet plan has not been a total success since it was introduced at the start of this year. But he believes that it was a significant step in the right direction and that the commission must act soon to build on it if Governments are not to turn to piecemeal national measures to protect their steel industries.

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Too imprecise a yardstick

AS SOON as Mr. Hattersley took over as Secretary of State for Prices and Consumer Protection, be made it clear that be intended to adopt a new attitude towards the question of price control. This might involve more detailed inquiries but would also, in Mr. Hattersley's view, reduce the deadweight of bureaucratic regulation and serve a more obviously useful economic purpose. Since the Government's existing power to control prices runs out at the end of July, it was widely assumed that the new legislation would reflect the new attitude.

The Confederation of British Industry and the Retail Consortium were not at all sure that they preferred a new and untried devil to one they disliked but knew reasonably well. In the event, however, it was the TUC rather than they which influenced the Government, and the TUC made it quite clear that they would be unable to recommend a third stage of voluntary pay restraint unless price control were retained in a form which appeared to their members to be stringent. Manufacturers and distributors are therefore faced in yesterday's consultative document with the worst of both worlds, continued regulation of margins along the old lines together with more detailed investigations along the new.

Cost rules

Certainly improvements are proposed in the system of regulation. The rules for controlling prices with reference to costs, for example, had undoubtedly become too rigid and must at times have acted as a barrier against increased efficiency. That this form of control should be dropped is entirely welcome. Again, it is right that the Government should take account in this sphere, too, of the effect on profits of inflation, though the conditions under which it proposes to make use of Current Cost Accounting in margin control seem somewhat restrictive. But these improvements in the traditional system of control do not make up for the wide powers which Mr. Hattersley proposes to take to initiate inquiries, specific or general, and enforce the Price Commission's findings.

Inquiries of the sort proposed need not be objectionable in themselves. The Monopolies Commission is a ponderous and inflexible organisation. There is something to be said in favour of speedier inquiries being made by a smaller organisation in cases where a position of above-average market power is suspected, or known, to exist. But these should not be used merely to demonstrate to the TUC that the Government is being "tough" about prices in return for wage restraint that the TUC may well not be able to guarantee. The idea that any notified price increase should be frozen for three months if it were decided to investigate it is, for example, indiscriminately restrictive.

Safeguards

It is true that there is to be a "safeguard level" below which profit margins are not to be allowed to fall, but this is so far defined no more precisely than as a "minimum acceptable" level. The main fault with the proposals throughout, in fact, is their vagueness. Firms have a right to be able to make their plans with a fairly clear idea whether such-and-such a course of action will or will not set off a Price Commission inquiry into their affairs. Mr. Hattersley, therefore, has supplied a list of seven criteria to which he and the Price Commission will pay particular regard: but these are couched in such general terms as to be of little immediate practical value. The CBI will obviously seek to make these criteria more precise. If it fails, the main protection against an overzealous Secretary of State may well lie in the obligation to consult with the Departments sponsoring particular firms and the more general requirement "to preserve a balance with the other objectives of economic policy." One of these objectives, we are constantly assured by Ministers, is a level of profitability that encourages expansion.

Dr. Owen's task at the Foreign Office

DR. DAVID OWEN is an engaging and, more important, an able man, and it is encouraging that the Prime Minister has had the imagination and the courage to give the Foreign Secretaryship to such a young politician. But it is an appointment which may well prompt questions in some quarters, not least perhaps in the Foreign Office itself, about the importance being attached by the Prime Minister to the conduct of foreign policy within the broader context of British politics.

High ranking

According to traditional orders of precedence, the Foreign Secretary is one of the most senior members of the Cabinet. Sceptics may wonder whether Mr. Callaghan has not, by implication, downgraded the Foreign Office by appointing so young a Minister to head it, who may in practice carry less weight in Cabinet and Party debates than his older colleagues. Mr. Callaghan has obviously tried to still any such speculation at birth by giving Dr. Owen a high ranking in the Cabinet pecking order. Any problems are unlikely to arise in the foreign policy area proper. There, what matters has long been the support of the Prime Minister. Where Dr. Owen may have to fight much harder, though, is in dealing with the forthcoming report of the Central Policy Review Staff on the future of the Foreign Office itself.

Only time and experience will test the authority of Dr. Owen in his new post. Even were he not a former Foreign Secretary himself, Mr. Callaghan is bound to take a close interest in the formulation of foreign policy, and his attitude will be crucial in deciding whether the position of Dr. Owen and of the Foreign Office is strengthened or undermined. The Prime Minister's role will be doubly important in that the foreign policy agenda for the next few months is studded with meetings at the level of heads of government—two European summits, the economic summit of the industrialised countries, and the Commonwealth meeting, three of which are taking place in London.

For the longer term, it is sometimes argued that the Foreign Office should be cut down in size and importance, on the grounds that Britain no longer has either the need or the capacity to carry out an autonomous foreign policy on a traditionally grand scale. Indeed, there is more than a suspicion that the CPRS research team came to this conclusion before it did its research. Yet there is a case for caution before any sweeping changes are made.

Independent

It is true that there are not many issues on which Britain has an independent role; Rhodesia and Cyprus are two examples, but even in these two cases our independent position is more formal than real. Yet the lesson of the decline in our imperial role is not that Britain no longer needs a foreign policy, but that it needs a collective foreign policy, which can be worked out with our partners in NATO, in the IMF, in the OECD, in GATT and, above all, in the European Community. If the Helsinki negotiations, concluded with an agreement on human rights, it was, in part at least, as a result of very close consultation within the European Community, with Britain and France playing a leading role.

In the European Community context, many Whitehall departments have a negotiating role; but it is the Foreign Office which should provide the essential co-ordinating function. If this function is not performed by the Foreign Office, it could only be transferred to a vastly expanded Cabinet Office, and it is not immediately obvious what advantage that would bring. Dr. David Owen brings to his new post an unquestionable intellectual ability. He has another advantage: a sympathy for the aims of the European Community which is considerably greater than that of either of his immediate predecessors; in that sense his appointment will no doubt be welcomed in other EEC capitals.

The Cruise missile: headache for arms control

BY DAVID BELL IN WASHINGTON

SOME time in the next few weeks the Carter Administration will have to decide what to do about the Cruise missile — the immensely versatile new weapon whose supporters see it as an important breakthrough, but whose opponents believe it may lead to another costly and futile round in the arms race.

The new administration has yet to begin detailed negotiations with the Russians about the new strategic arms agreement it wants, but it seems most likely that it will decide to defer consideration of Cruise for the moment and push for an interim agreement of the kind outlined in Vladivostock in 1975.

The Carter revisions to the budget, sent to Congress this week, leave the Cruise missile project untouched. So, barring unforeseen developments, the full engineering development of the two existing versions of the weapon should go ahead as ordered by President Ford in the closing days of his administration.

Revolving racks

But that may prove to be only a temporary stay of execution. The argument about what Cruise means to arms control has been, and promises to continue to be, a long and complicated one. In the process, a good deal of confusion has arisen not only about the missile itself but also about whether the Russians have an equivalent. Both these issues need to be clarified as discussion of the wider implications of Cruise continues.

Two different American Cruise missiles are under development. The first—the air-launched Cruise missile (ALCM)—is being produced by Boeing for the Air Force. It is designed to fit into the belly of a B-52 bomber. Each weapon is 168 inches long and fits on to revolving racks in the aircraft, much like bullets are loaded into magazines of a revolver. Fully loaded, a B-52 could carry 24 missiles on three racks.

The confined space available inside the hold, and its shape, have forced Boeing to keep the missile fairly short. That has restricted both its flexibility and its range. A new version is now being prepared, which uses more advanced fuel and may have a range of about 1,200 miles.

The U.S. Navy is developing a sea-launched Cruise missile (SLCM) better known by its codename Tomahawk. Built by General Dynamics, this 219-inch missile can fly at least 2,000 miles carrying either a conventional or a nuclear warhead.

In spite of its name, this missile can be launched equally well from the back of a lorry as from the deck of a ship, a submerged submarine or the wings of an aircraft. Earlier this month the Department of Defence tacitly recognising the Tomahawk's greater flexibility, brought development of the Navy and Air Force versions of the missile under the command of the Navy.

Both kinds of Cruise have a great deal in common. Using very advanced, small engine turbofan technology they can fly at about the speed of a Boeing 747. A computer system matches maps prepared by satellite photography to the terrain over which the missiles fly, with the aid of a highly sophisticated guidance system called Tercom (Terrain Computer Matching System).

The navy says that, in theory at least, the Tomahawk will be able to fly 2,000 miles, never fly more than 100 feet above ground and will land within 30 yards of its pre-selected target. It would, says the missile supporters, be very difficult to intercept a large number of these missiles, as existing radar would only be of limited use in spotting them, because they fly so low. One estimate suggests that Cruise could hit 75 per cent. of the targets at which it is aimed, without being intercepted.

The Tomahawk's modular design equips it for a wide variety of roles besides this one. One version can act as a flying torpedo and home in on enemy ships whether launched from a submarine or an aircraft. Another can be launched from a lorry as a tactical weapon designed to knock out enemy bridges 100 miles ahead. It can act as a remote reconnaissance vehicle, carrying a camera instead of a warhead, returning safely home after its mission. It is these last two uses of the missile which particularly attract Nato planners.

All of this may sound a little too good to be true. So far the missile has been successfully launched from under water and from an aircraft. The Tercom system has been successfully tested in more than 2,000 hours of use in small aircraft and drones, but a full-blown missile has yet to be tested and the system may yet have unknown snags.

Later this year there will be further tests, and the first launching of a land-based Tomahawk. Dr. Harold Brown, the Defence Secretary, is particularly interested in a land-based Cruise and has recently given it top priority. Like others in the Pentagon, he is attracted by the very low relative cost of the missile. Once production starts, it is expected to cost about $500,000 a weapon excluding development costs. In Pentagon terms that is very low.

Arms control experts are still digesting the implications of the missile. Not only does it appear to blur the traditional distinction between strategic and tactical weapons, but its modular design makes it very difficult to verify which type of missile—long- or short-range, nuclear or conventional is being deployed. Negotiation about the verification problem and other issues raised by Cruise still lies ahead, but the debate about whether the Soviet Union has an equivalent missile of its own is well under way.

Opponents of Cruise argue that the Russians have nothing like it and lack the fuel, the engine, and the computer technology to build one. They contend that the U.S. should stop Cruise now before further development forces the Russians to build one of their own, touching off another unnecessary contest between the superpowers.

Supporters of the missile say this is nonsense and point to the latest U.S. intelligence estimates which apparently indicate that the Soviet Union has at least 60 submarines specifically "dedicated" to a cruise-type missile. These estimates suggest that the Soviet SS-N-3 "Shaddock" missile is more primitive than its U.S. counterpart in that it has a range of only 500 miles and cannot be launched unde[r] water.

The Navy points out that t[he] Shaddocks can apparently [be] launched from land-bas[ed] lorries and that the Sovi[et] Union may well have no ne[ed] of the sophisticated comput[er] guidance system now bei[ng] developed in the United Stat[es]. Whereas most Soviet targets a[re] deep in Russian territory, ma[ny] U.S. targets—particularly t[he] largest American cities—a[re] strung out along the east a[nd] west coasts. Thus, the arg[u]ment runs, a Soviet submari[ne] could very easily wait off N[ew] York at the 200 fathom ma[rk] and, if necessary, fire a nucle[ar] tipped Shaddock at the ci[ty]. American experts calculate th[at] from that distance it might ta[ke] as little as 11 minutes to [hit] the target which would lea[ve] little time for warning or int[er]ception. Soviet submarin[es] believed to be carryi[ng] Shaddocks are reported alrea[dy] to have called at Cuban port[s].

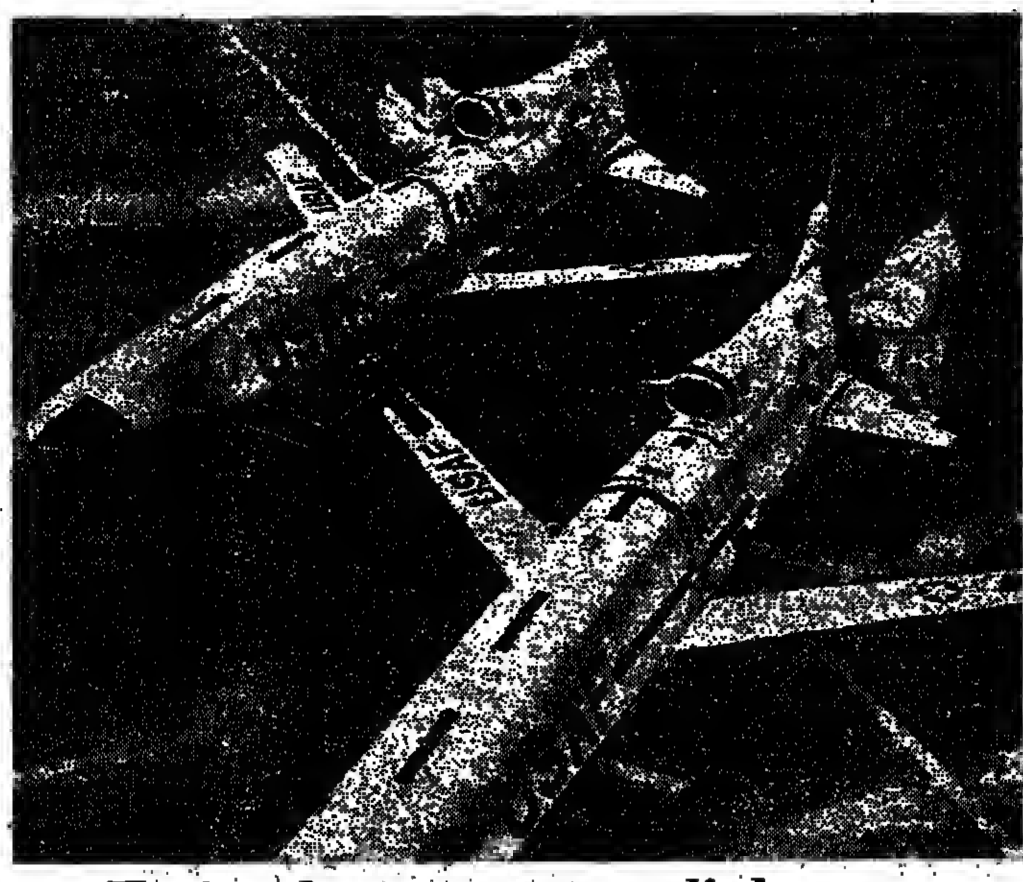
The Soviet Union is also s[aid] to be working on a successor [to] the Shaddock, known in [the] West as the SS-N-12. Its ran[ge] is unknown but there are so[me] experts in the West who c[on]tend that it is very close to t[hat] of the Cruise being develop[ed] by the U.S. Navy.

Population at risk

In any event, a rec[ent] estimate suggested t[hat] forward-based submarines us[ing] Shaddock missiles with a ran[ge] of 370 miles (one range li[mit] currently being suggested [in] connection with the SA[LT] talks) could put at risk 60 [per] cent. of the American popu[la]tion. Only 15 per cent. of t[he] Russian population would be [at] a similar risk from Cruise m[is]siles deployed in NATO s[ub]marines or aircraft operati[ng] from outside the Russian b[or]der, with a similarly restric[ted] range.

It will take at least two ye[ars] before the engineering devel[op]ment and testing of Cruise [are] completed. By that time t[he] position of the weapon in t[he] overall arms control debate w[ill] be much clearer. The Na[vy] recognises that by then it [may] have been cancelled, but hop[es] that it will at least be allow[ed] to finish work on it so that [its] technology will, as one offi[cial] put it, "be there for a r[ainy] day."

The missile, Senator Hu[bert] Humphrey said last year, i[s an] arms control nightmare. He a[nd] others called for a halt to [its] development but that time [has] already have passed. Previ[ous] weapons systems have [de]veloped a momentum of th[eir] own and it is widely belie[ved] here that some form [of] Tomahawk Cruise missiles [will] eventually go into service w[ith] the U.S. armed forces—and w[ill] NATO—whether or not it le[ads] to another round in the a[rms] race.



Technology outpaces diplomacy

ONE of the reasons why SALT 1 was unsatisfactory as an arms limitation agreement was that it failed to take account of developing technologies, even though the implications were known at the time. In particular, it left out multiple independently targetable re-entry vehicles, known for short as MIRVs. It concentrated on the number of launchers rather than the number of warheads.

That meant that the two superpowers could still pursue a formidable arms race within the limits of the agreement. Not only could the number of warheads be increased, but by making them independently targetable, they could also go for a wider range of targets with a greater chance of getting through. Technology, in short, had moved faster than diplomacy.

It was the desire to include MIRVs that was one of the principal reasons for seeking a second agreement (SALT 2). Once again, however, technology has moved faster than the diplomats—this time in the form of the Cruise missile.

Cruise potentially undermines most of the assumptions on which strategic arms negotiations have been based. SALT 1 and the negotiations on SALT 2 so far have been about central weapons systems capable of hitting the heartland of the other power. It was assumed that such systems would always be nuclear, and that there would not be much difficulty about defining central systems.

Cruise raises at least three new problems. The first is that its small size means that it is not easy to verify. Verification in SALT 1 was left to "national means"—that is, satellites. Satellites could not detect Cruise missiles, at least with any degree of certainty. The second is that Cruise could be either conventional or nuclear, and its use either strategic or tactical. It therefore falls naturally neither into the SALT negotiations, nor into MBFR—the negotiations on mutual east-west force cuts in Central Europe which include tactical nuclear weapons. These are the only two east-west arms negotiations to speak of. Yet an agreement to restrict the development of Cruise in SALT could prejudice MBFR. For example, if the U.S. agreed to a total moratorium, this would prevent the deployment of Cruise in Central Europe even for tactical purposes. Equally it would prevent deployment in Northern Europe where conventional Cruise missiles might be one of the best ways of redressing the military balance in an area where the Warsaw Pact is presently much stronger than NATO.

The third problem is that whatever the superpowers might choose to do about Cruise, the technology could easily become available to smaller countries. France, for example, already has an anti-ship missile called the Exocet which belongs to the Cruise family. It is by no means inconceivable that France or Britain could go seriously into the business in order to prolong the life of their independent deterrent. Other, non-nuclear powers could follow. These possibilities alone should be enough to indicate how far the old assumptions about the strategic balance are now in doubt.

MALCOLM RUTHERFORD

MEN AND MATTERS

Secure economy

Ulstar, with its own painful economic and political problems, has been largely shielded from Government spending cuts, but in an unobtrusive way tba Northern Ireland Office has decided to make its own contributinn to natiooal thrift. It is putting up for sale the isolated boilding overlooking the lough outside Belfast that has for the past five yaars or so boused its "politically sensitive" operations.

Called Lam Laneside, tbe house is more formally designeted Northern Ireland Office "B" or "No. 2." In rerent years it has gained a reputation as the headquarters for the discreet official contacts that were maintained until last year with the Provos' Sinn Fein political leadership and witb such Loyalist private army chieftains as those of the UDA.

"I can never understand why those people who resent pay curbs are always curbing their own pay!"

Lanesido wes first astablished before the introduction nf direct rule tn enable British officials to liaise with the army, which at the time was in the vexed constitutional position of not being answerable to the province's Stormont Government. After that anomaly was abruptly solved by Stormont's dissolution, the Laneside "division" of less than a dozen civil servants, headed invariably by a high-ranking Foreign Office diplomat on secondment, turned its attentions to matters too sensitive to be closely associated with Stormont Castle itself. With Roy Mason's firm policy of refusing contact with the paramilitaries or their "politicians" the Laneside men are to be resettled in more formsl quarters.

Set in secluded, well patrolled grounds at the end of a private road, Laneside's exact role in Ulster's administration has for some time been a matter for official touchiness. Tha Observer's Belfast correspondent was once arrested by a track-suited soldier when he arrived uninvited with a photographer, aod released from custody only after bauding over the film taken. He takes the sting out of the tail, though, hy recalling the affection with which Caesar, Laneside's resident guard dog, greeted him.

Rabin fights to stay

Over the last few days a series of European Socialist leaders have been flying into Israel to attend the convention of the ruling Israel Labour Party. Opposition leaders believe that the star spangled cast of socialists-including Austrian Chsncellor Bruno Kreisky, Dutch Premier Joop den Uyl, Olaf Palme, Willy Brandt and Francois Mitterand is part of an effort by the Socialist Internatiooal to boost Labour's waning prospects in the May 7 general elections.

Whatever the reasons they bave arrived in time to witness a highly charged political drama as Prime Minister Yitzhak Rabin fights to defend his position against the challenge of Defence Minister Shimon Peres. At a pre-convention press conference Peres stressed that he stood for change and re-invigoration of the party, currently suffering *from the backlssh* of an illegal payments and kick-back scandal involving leading Labour party figures, while Rabin's followers predictably stress the Premier's achievemeots and the nead for continuity.

The struggle for the leadership is atill wide open and heavy lobbying is taking place in the corridors to try and sway the fow uncommitted delegates whose votes will be vital in what is sure to be a close-run contest.

Joel the certified

Joel Barnett's promntion to full cabinot status is a suurce of quiet satisfaction to the Association of Certified Accountants. It means that one of their number has made the cabinet for the first time. It is a matter of particular satisfaction to tha Association's information director Jessica Cloudesley, a vivacious pixy-like polyglot, which reflects her mixed Papist-Preshyterian, Italian-Scottisb famtly background. She takes great pains in distinguishing between certified and chsrterod accountants and gets rather cross when the Press fails to make the distinction.

There are, let us be quite clear, accountaots and accountants. Indeed in the U.K. tbere are nn less than six chartered bodies for the profession. Ecumenical pressures built up during the 'sixties but moves to unify the profession foundered after a ballot in the 1960s when unification proposals were defeated by tha English chartered accountants.

A certain genteel rivalry characterises relations between Chartered Accountants, wbo bave to serve articles with a partner or specific accountancy firm, and certified accountants, who do not.

Traditionally, Cbartered students are those who come from a relatively comfortable family able to aupport them financially through their four years of Articles.

The Association of Certified Accountants was set up in 1904 precisely to facilitate entry for aspirant accountants from less comfortable bome backgrounds. Nnw one of their number bas made it to the Cabinet. It is one more indication of the influence wielded by the more than 100,000 accountants in the U.K. wbo, as we pointed out nn Monday, also provide 92 per cent. of the Chief Financial Officers in Britain's largest 300 companies whereas only 38 per cent. of CFOs in Fortune's top 500 largest U.S. companies have an accountancy background.

Hot air

Our story about the French balloooist who bad the misfortune tn land hy mistake in ao English field and enquire his whereabouts of an accnuntanl, who replied in e typically "accurate but useless" fashion has provoked the predictable umbraga. An ICI accnuntant commented with withering scorn, "the story typifics all Frencb balloonists who, whilst in charge of a vehicle they cannot control, and having no idea of the likely effect of their actions, expect a previously uninvolved bystander lo understaod their predicament and their real problem." Touché.

Observer

FINANCIAL TIMES SURVEY

Wednesday February 23 1977

EUROMARKETS

The failure of world economies to emerge conclusively from recession last year paradoxically gave a substantial fillip to the Euromarkets. Assuming a gradual recovery in 1977, demand for syndicated loans is expected to increase, but Eurobond activity may decline

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By Tony Hawkins

COMBINATION of slug- recovery from the reces- and the continuing severe lances in international pay- s ensured a high level of market activity last year in the opening weeks of The recession stimulated h on the supply side of the et because underlent banks he industrial economies d idle funds into the Euro- et where the balance of ents disequilibrium be- the OPEC nations and rest (with exceptions) d a strong demand for Furthermore, the Euro- et has had a continuing o play in re-cycling part of PEC surplus.

er the false dawn of 1976, xpected that domestic loan ad in industrial economies cially the U.S.) will re- this year, but at the same there will still be a sub- al OPEC surplus to be elled to users and par- rly to the oil-importer t countries, both indus- ed and less developed.

The global international payments problem posed by the OPEC surplus is expected to diminish this year and for the rest of the decade. An OPEC surplus of $66bn. on current account in 1974, after the oil price rise, was halved in 1975 but then increased again last year rising to around $38bn. or $40bn. This year, however, Morgan Guaranty is forecasting a fall to $32bn. and on its estimates the surplus will be down to $20bn. in 1980, largely concentrated in the bands of only three countries—Saudi Arabia, Kuwait and the UAE.

To this extent, international payments disequilibria are being reduced, albeit too slowly for comfort. But in addition there is a second problem, the intra-payments problems within oil-importers as a group. This is reflected in the estimated 1977 surplus of $8bn. for four countries—W. Germany (the main one), Japan, the Netherlands and Switzerland—on the one side and the continuing severe deficits of Spain, Canada, France, Britain, the Scandinavian countries, and the non-oil less developed countries. Also running large deficits are the more advanced primary-producing countries such as Australia, South Africa and New Zealand.

While the problem of international payments disequilibria stretches far beyond the Euromarket, the main publicised borrowers last year were—with the exception of Japan—all major deficit nations. (Table 1). Given this need to help accommodate substantial deficits on the one hand as well as providing medium and long-term finance for the capital-scarce economies of the non-oil LDCs, international credit grew rapidly during 1976 (Table 3), with the fixed rate market (bonds) expanding considerably faster than the medium-term floating rate (syndicated loans) sector.

Modest

The growth rate of the net Eurocurrency market (defined by the Bank for International Settlements as total Eurocurrency liabilities to the non-bank sector) is estimated at a modest 18 per cent. in 1976 as against 16 per cent. in 1975. This compares with an average growth rate of about 33 per cent. a year in the 1970-74 period.

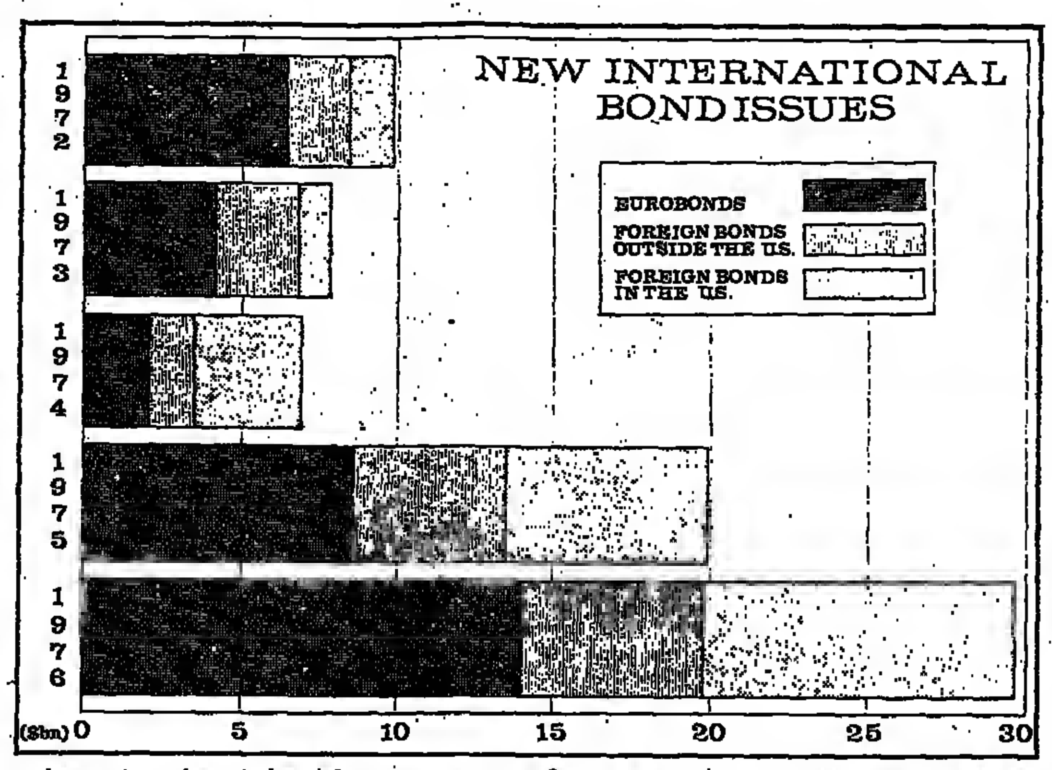
The disparity between the rapid growth rate of the market in publicised international credits on the one hand and the relatively modest expansion of the Euro-currency market on the other reflects the fact that the visible tip of the iceberg—syndicated credits and bonds—is frequently said to constitute only 15 to 20 per cent. of total Eurocurrency lending. The greater part of the market, growing much more slowly in line with the rate of international economic expansion and trade growth, is one in short-term self-liquidating credits provided by banks to their customers.

On the supply side three factors underpinned market expansion last year. "First was the weakness of domestic credit markets in the industrial economies, second, the reversal of the 1975 downtrend in the OPEC surplus and third the continued strong flow of "political" money—funds seeking to avoid taxes and exchange controls—into the Euromarkets. While on the demand side the slow recovery from recession kept domestic credit demands at low levels in many OECD countries, the deficits of oil importers, Comecon countries, LDCs and some OPEC nations (Algeria, Indonesia, Venezuela) ensured a high level of demand for balance of payments financing.

The BIS figures on sources and uses of Euromarket funds show who the net borrowers were during the first nine months of 1976. Eastern Europe's net borrowings rose sharply from $9bn. to $14bn. between September 1975 and September 1976. A similar trend was evident in Latin America and in Australia, New Zealand and South Africa. The smaller West European countries increased their net borrowings positions too, but at a markedly slower pace.

In contrast, the Middle East enhanced its position as a net lender to some $34½bn. in September last year as against just over $29bn. a year earlier.

A year ago the conventional wisdom was confident that 1976 would bring a reasonable upturn in the world economy, allied with tighter international credit and rising interest rates. In the event, credit became easier throughout the year and in a borrowers' market, spreads and coupons were lowered, maturities lengthened and the size of loans raised.



The six-months Eurodollar deposit rate, on which spreads are usually based, which had been as high as 14.16 per cent. in London in August 1974, had fallen to 6.7 per cent. at the end of 1975. Although it moved above 7 per cent. in May last year, the decline was resumed in the latter part of the year and at the end of the year it was as low as 5.35 per cent. Since then there has been a modest firming and the rate is now in the 5½ to 5¾ per cent. range with bankers inclined to the view that the interest rate cycle really has turned this time.

Turned

Unless these expectations are again confounded, then the Eurobond market seems destined to face more difficult conditions, particularly in the latter part of the year and 1976's new issue record may not be repeated. Certainly recent events in the bond market imply that the days of coupon-cutting are over for the time being.

Conditions in the syndicated credit market are rather different. Here, spreads are still being squeezed to below the 1 per cent. level, despite firm opposition from some major U.S. banks. The constraint on lending in this market in 1977 seems more likely to be the result of rising domestic loan demand in the OECD countries, an increased demand for medium-term finance from oil importers in the advanced countries and the self-imposed restraints of banks on lending to high debt-ratio LDCs.

Although the dire predictions of large-scale debt-default have not been realised, international banks are keenly aware of significant shortcomings in past lending policies in certain countries and sectors. There is little satisfaction to be derived from the fact that banks heavily lent to some LDCs must view any new lending as part of the necessary price to be paid to ensure that past loans are promptly serviced. The somewhat cynical reaction of some

CONTINUED ON PAGE III

THE MAIN BORROWERS

Publicly announced new international bond issues and medium-term Eurocurrency credits

($bn. 1976)	
Canada	9.2
Brazil	3.4
France	2.95
U.K.	2.6
Mexico	2.4
Japan	2.2
Spain	2.2
Norway	1.8
Iran	1.4
Philippines	1.3

Source: Morgan Guranty Trust Co. World Financial Markets.

How can merchant help private compa

EUROMARKETS II

Medium-term lending

AFTER GROWING 38 per cent. last year and virtually regaining the record levels of 1974, publicised syndicated bank lending has started 1977 at an unsustainable pace. Indeed, in the first six weeks of this year, publicised *medium-term* credits were running at about $1bn. weekly, and by mid-February lending levels were not far behind those for the first quarter of 1976, estimated by Morgan Guaranty at $6.7bn.

The strong start to the new year is largely the reflection of three major borrowings—$1½bn. for Britain, $1.2bn. for Venezuela and $1bn. for Sweden. It is a sign of the times that credits of $1bn. or more, which hitherto have been few and far between, have become so much more frequent, and Mr. Carlos Canal, Executive Vice-President in charge of international banking at Bankers Trust Company has predicted that the next six months will see major Government borrowers continuing to tap the market for large credits.

Currently the conventional wisdom is that the lending rate will slacken later in the year, though continuing to expand over 1977 as a whole, albeit at a markedly slower pace than last year's 38 per cent. At this stage, an increase of 20 per cent. seems possible, taking publicised Eurocredits to some $35bn., to which must be added an extra $10bn. or so for unpublicised lendings.

A slowdown is expected later this year, primarily for supply reasons. With loan demand, particularly in the U.S. but also in other industrial countries, expected to rise and with the huge financing requirement facing the U.S. Treasury, liquidity is likely to tighten in the domestic market and banks with increasing domestic customer demands to service will be less inclined to lend aggressively in the international market.

Bothered

Euro-dollar deposit rates look to have bottomed out at the end of 1976 and this means that the cost of rollover loans will increase, while margins above the London Interbank rate (spreads) are likely to stabilise and possibly then reverse their recent downtrend late in the year, especially if domestic loan demand really does take off in the U.S. This remains a big "if."

At the same time, for reasons discussed in the introduction to this survey, demand is expected to remain at very high levels. According to the OECD forecasts, the industrial countries of the OECD will run a current account deficit this year of some $17bn., while the non-Oil LDCs will be in the red in excess of $26bn.

While an important element of this demand will come from prime borrowers (of the France, Sweden, Norway, Australia variety, part of which may be met by fixed rate borrowing in the bond market), very substantial demands will also be forthcoming from countries that have been major borrowers in the recent past—Spain, Mexico, Brazil, Algeria, Iran, Venezuela, etc.—and for some lenders might be approaching their country-exposure ceilings. In other words, lenders might be reluctant or unable to meet these demands in some cases, and could well insist upon higher spreads to compensate for the volume of paper that such countries already have with the banks.

Clearly, the LDCs are going to be major borrowers again this year. In the past two years their market share has averaged 39 per cent. (Table 1), excluding the OPEC States, as against 21 per cent. in 1973-74. For some LDCs there are country-limit problems, while others are simply non-starters in this market for a combination of political as well as economic reasons.

The market has tended to widen somewhat in the past year—with borrowings by countries such as Egypt, Ivory Coast and Liberia—but there is still a substantial number of LDCs, invariably those who need the money most, which are effectively excluded from this market. The LDC market share will slip this year, partly because they may be "crowded out" in some degree by rising domestic demand in the advanced countries as well as a high level of industrial country demand for Eurocredits. At the same time, some of the large LDC borrowers of recent years may well find it necessary to stay away from the market for a while, pending an improvement in their external payments situations.

Trade

The recent modest improvement in some commodity prices and hopes for stronger economic growth this year may mean that the LDCs will do better on trade account in 1977 than seemed likely a few months ago. Above all, there is an important substitution effect to the extent that bank lending by way of export or supplier credits in industrial countries is an obvious alternative source of finance to the provision of funds direct to the LDCs.

For these reasons, and in the light of the publicly expressed concern and publicity devoted to the Third World "Debt Problem," it would not be surprising to see some shift in the balance of Euromarket lending this year so that the industrial countries share shows a relative increase.

In the past two years, the OPEC market share has averaged 14 per cent. and with the OPEC surplus both declining and being increasingly concentrated in the hands of three countries—Saudi Arabia, Kuwait and the UAE—further strong OPEC demand is anticipated. Given their trading position, it will be surprising too if the Comecon countries do not come to the market seeking more than last year's $2.7bn.

A general consideration applicable to many borrowers is the need to rollover maturing facilities in 1977 and this will add to the level of demand.

To what extent the high level of market activity of recent weeks reflects borrower expectations that the borrower's market of 1976-77 is going to become more of a lender's market later this year is unclear. Obviously it is attractive to borrow now when spreads are still being forced downwards and when last year's tendency towards longer maturities—seven years rather than five—is being continued. Indeed, some bankers believe that we can expect to see a return to 10-year maturities in some cases, and a further erosion of spreads down to the three-quarters per cent. level, before they start to turn upwards again.

On spreads, at the risk of some oversimplification, banks can be fitted into four categories. First, we have the one per centers—the "Thus Far and No Further" school. As of now, this seems to include four of the major U.S. participants in this market, Bank of America, Citicorp International, Chase Manhattan Ltd. and Manufacturers Hanover Ltd. These names have been conspicuously absent from the below 1 per cent. deals clinched by the U.K., Sweden and French CNT.

Secondly, there are those who take the "special cases" line, arguing that with Britain, Sweden or the EEC, there have been special circumstances that justify the banks breaking the 1 per cent. barrier as part of the relationship that such banks have with the Bank of England or the Riksbank in Sweden. In principle, they say that they too are opposed to going below 1 per cent. except in these special circumstances.

Thirdly, there are those who take the view expressed recently by the chairman of Orion Bank, that one has to "follow" the market. The fact that this particular bank was one of the leaders of the $500m. for the EEC at ⅞ per cent. (subsequently withdrawn, after being oversubscribed) raises the question of just where the line is drawn between following and leading the market. Finally there are those who take the aggressive view that if you don't cut rates, you won't get the business.

Just what happens to spreads in the months ahead is going to depend largely on the domestic loan situation, primarily in the U.S. but also in other industrial countries. Until loan demand is seen to be on the rise downward pressure on spreads will continue. It will be fascinating to see if the one per centers hold their line in the event of loan demand remaining sluggish in the U.S.

In 1977, the market is going to be looking for better quality borrowers and better documentation. The need for the latter is emphasised by David Levin of Chase Manhattan. In the wake of the Iran and IBEC deals, where loans were delayed (in Iran's case) and aborted (in IBEC's case), there is growing emphasis upon the need to tighten up on the documentation aspect.

Last year was one during which the large banks increasingly dominated the Eurocredit market. It was increasingly difficult to get done on a "best efforts" basis because the borrower would go elsewhere seeking either better terms or an immediate commitment or both. In the recent jumbo loans, the admission ticket into a deal has been higher than the $10m.-$20m. underwriting commitment that used to be the case. Reflecting this development there were 18 banks in the Venezuela deal and 13 in the Swedish and U.K. loans.

The market is dominated by a handful of banks—mostly American. The Citicorp Group for instance was last year involved in syndications of $14.4bn., almost half the publicised total for the year. Manufacturers Hanover Group participated in just over $10bn. worth, according to figures supplied by one of the major U.S. banks. Algemene Bank Nederland and Deutsche Bank were the only Europeans in the top ten bracket, but their appearance in this particular league table shows their growing importance; they were unranked in 1975.

Tony Hawkins

1. PUBLICISED EUROCURRENCY BANK CREDITS

	1972	1974	1975	1976
	%	%	%	%
Industrial countries	60.1	70.7	34.4	37.4
LDCs (non-oil)	22.3	21.5	39.4	39.2
OPEC	13.6	3.6	13.8	14.1
Communist countries	4.0	4.2	12.4	9.3

Source: Morgan Guaranty.

2. MAIN COUNTRY BORROWERS 1976

	$bn.		$m.
Brazil	3.2	Korea	789
Mexico	2.0	Iran	951
Spain	1.96	Indonesia	909
U.K.	1.67	Algeria	768
USSR	1.25	South Africa	805
Venezuela	1.1	U.S.	677
Philippines	1.0	France	587
		Denmark	700

Source: World financial markets and Amax euromoney syndication guide.

Shipping finance

"FLOATING real estate" was how many bankers used to describe their shipping loan portfolios. The more conservative admitted that on closer inspection the similarity between ships and property was not quite so evident. A house, for example, cannot collide with another house, disappear in the night, pollute the ocean or fail to pay the crew's wages.

But back in the heady days of 1973-74 few bankers believed for one moment that their shipping loans might ever be in default. As with the property market, there seemed no end in the rise in underlying asset values. With the "world scale index" of spot freight rates at well over 200 at one stage, some tanker owners were earning enough on a single return voyage to the Middle East to pay off their loan.

Currently, the "worldscale index" of spot freight rates is languishing at below 50, having dropped to 22 at one point, underlying asset values have plummetted, and it is generally accepted that the tanker surplus (particularly for larger vessels) will be with us until well into the 1980s. The banks are now having to pick up the pieces of their past mistakes.

However, the major problem for the banking community is that no one is quite sure how much money has been lent via the Euromarkets to the shipping industry. Consequently, while everyone is agreed that there is a crisis it is hard to assess its severity.

Various attempts at measuring the banks' shipping loan exposure have been made. Early last year the size of the bank debt on the world tanker fleet (including ships being built) was put at around $35bn., of which well over half was estimated to be guaranteed by various governments, and hence not at risk. Last autumn, Peter Douglas, Chase Manhattan's European shipping co-ordination manager, suggested that perhaps $1.5bn. of loans out on tankers were in default.

More recently, the newly formed International Maritime Industry Forum (IMIF), has been spending a considerable amount of time collecting data on the *total tanker* debt and its figures appear to be somewhat lower than the earlier estimates. It quotes Fearnley and Egers Chartering Company estimates that just over half of the $25.2bn. of total mortgage debt (excluding new building) is out on very large and ultra large crude carriers (VLCCs and ULCCs) which are most vulnerable to the present crisis. Of the $12.8bn. out on VLCCs and ULCCs, $8.9bn. reflects 1974-76 deliveries.

The debt on tanker new buildings, as at last July, stood at $7.9bn. But these figures do not take account of deferred payments, which are supposed to be substantial and increasing.

A large part of the bank debt is secured on vessels chartered long-term to major oil companies and hence not at risk. Fearnley and Egers has tried to estimate the mortgage debt on free tankers—that proportion of the independent tanker fleet not on period charter to oil companies and which could default on loans. As at July 1976 this debt is estimated at $4.3bn. On the very conservative assumption that all loan repayments over the next three and a half years are deferred, the total could rise from $4.3bn. to $10bn. by 1980s.

The IMIF has also been trying to calculate the proportion of tanker loans guaranteed or insured by government agencies but has so far been unsuccessful. Nevertheless its figures do put the tanker crisis in perspective and, while the numbers involved are large, the banks' exposure is nowhere near as great as some passimists once suggestad.

Killing

As far as the shipping companies go, the most affected are the independant tanker owners which have traditionally operated on the "spot" market. At the top of the table comes Norway's Hilmar Reksten, which traded almost wholly on the "spot" market and made a killing when rates were high but has subsequently had to be rescued by the Norwegian Guarantee Institute. With only 14 per cent. of its fleet on period charter, Sweden's Salen group is also vulnerable to the downturn, as in Denmark's A. P. Moller.

While the independant tanker owners will continue to exist, the banks are now taking a much more cautious view of their shipping commitments. The lessons of the past decade have sunk in. Until the late *1960s new ships* were to a large extent financed through shipyard credits and retained earnings. Competition for new orders was such that many shipowners were able to obtain 80 per cent. financing for periods of up to 10 years at fixed rates of interest which fluctuated between 5½ and 7 per cent.

This era of cheap fixed rate long-term money lulled shipowners into a sense of false security. If they ran into trouble they could usually sell a ship and in fact for many Norwegian owners the buying and selling of ships became almost as important a source of profit as actual charters. Because many of the shipping companies were owned by wealthy individuals, the standards of disclosure were poor, and few bothered to assess the credit risk properly.

In the early 1970s the supply of cheap shipyard finance (traditionally in the form of government-backed export credits) began to dry up—partly because the governments concerned were finding it increasingly costly and also because the size of individual ships was growing rapidly. At the end of World War II a 16,500 ton tanker was regarded as a very large ship. To-day ships of over 500,000 tons are being built.

The main deck of the Globtik Tokyo (477,000 dwt), for instance, can accommodate 70 tennis courts or 2½ Wembley football pitches. Indeed, Mr. Ravi Tikoo's Globtik group plans to order three 600,000 dwt nuclear oil tankers, each of which will be nearly a quarter of a mile long and cost $325m. apiece.

The decline in importance of shipyard credits coincided with a boom period in the Euromarkets. The growth of syndicated lending filled the vacuum in shipping finance and only served to further distort the supply of new ships.

In terms of the amounts raised and the flexibility of the banks involved, it would be hard to find a financial market as accommodating to the needs of the shipping industry as was the Euromarket in the early 1970s. Banks fell over themselves to lend money. Admittedly the money was not fixed rate, but banks were prepared to lend funds for up to 12 years, at spreads as narrow as ½ of 1 per cent. and for amounts as high as 100 per cent. of a vessel's value.

In the words of Mr. O. R. Norland, Hambros shipping director, "many shipowners, shipyards, banks and governments appear to have succumbed to a dangerous euphoria in 1972-73." According to the IMIF the "ship finance market had attracted a surfeit of banks, some of which did not properly understand the shipping industry and were ready to lend a high percentage of the delivered price of new building in the belief that hull values would go on rising."

While most banks were keen that a ship be chartered for the duration of the loan so as to assure an adequate cash flow, insufficient attention was attached, in some cases, to the quality of the charter. Many banks had conveniently forgotten that a major reason for the collapse of Tidal Marine some years earlier, was not the lack of work but the fact that the ships just could not meet the charterer's requirements.

In the short term, many banks have withdrawn from financing new ships and are prepared to leave it to the professionals. Those banks that are left are adopting a much more cautious approach. The simplicity of two or three page loan documents may appeal to loan officers and borrowers alike, but most are agreed that they are no longer adequate. The standards of disclosure have had to be improved considerably.

In the past little attention has been paid to the role of equity in ship financing because of the easy access to medium term loans. This is now changing and much of the mystique of ship financing is now being shed. The more secretive private owners now find it much harder to raise funds. Covenants on debt/equity ratios and performance guarantees are increasingly common and where five years ago banks might lend up to 100 per cent. on inflated hull values, 60-70 per cent. is now the limit and the rockbottom spreads have been greatly improved.

All this should help prevent the recurrence of future problem loans but the banks still have to face up to the problem caused by the existing chronic surplus of tankers. It has been estimated that the world's shipyards could build twice as much new tonnage as is needed in the foreseeable future. Many of the newer industrial countries such as Brazil and South Korea are still investing in shipyards. For political reasons governments want to ensure local employment for their shipyards by subsidising new building; this in turn merely aggravates the surplus.

This is the area of most uncertainty for the banking community. Unless international agreement can be reached on phasing out the tanker surplus in an orderly manner, the incentive for the banks to continue financing one of the world's fastest growing industries will disappear.

William Hall

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EUROMARKETS III

Demands of the developing nations

'EATURE OF the mid-1970s been the rapidly increasing ificance of private and com- rcial sector lending to the developed countries (LDCs). e—certainly for the time ig—are the days when these ntries relied almost exclu- ly on finance for the Inter- ional organisations such as World Bank group, or on teral or multilateral aid vided on concessionary ns.

he net new financing uirements of the non-oil s has been estimated at bn. for the 1974-76 period p 140 per cent. on that for previous three years accord- to Morgan Guaranty calcu- ns. During this period the mercial banks' outstanding ms on non-Opec LDCs rose some $46bn., or more than er cent. of new LDC financ- . In the 1971-73 period the mercial banks had provided 20 per cent of new capital. r the same period, the share fficially-funded finance has n from 66 per cent. to just 50 per cent.

is situation has developed use the official agencies lacked the capacity to the substantial LDC its incurred in recent s. The international banks stepped into the breach, ominantly with medium- credits. International l issues by developing tries amounted to a mere m. last year—less than 5½ cent. of the total—though issues by international nisations, a substantial k of which was fur onlend- to LDCs, amounted to n., or nearly 21 per cent. 976 new issues.

is rapid expansion of te sector lending, although utely essential to ensure the LDCs could finance import bills (especially of and to a lesser extent iser) and also service their has brought very severe ilties in its wake. The ively high cost and short rities of Eurocredits (com- l with concessional lend- has left the large-scale owers with heavy debt- cing commitments and a ult debt maturity structure.

rrowing

substantial element of the wing has been used for ce of payments purposes is, consumption) rather investment in export- igs or import-saving pro- In the next three years will be an increasing ncy for loan repayments bunched as the longer ity borrowing of the late and early 1970s fall due ighly the same time as the 974 five-year credits.

upsurge in market wing, particularly from iercial banks, has very tant implications for the e deficit position of LDCs.

Over the 6 years before 1974, non-debt flows to the non-oil LDCs (that is flows which did not give rise to either debt charges or reductions in external assets), contributed more than half of external financing, but by 1975 this ratio had slipped to 27 per cent. and must have fallen again last year.

The cost of private sector credit, its sharply rising significance in LDC financing, the bunching of maturities and the underlying debt-servicing problems—taken in combination with a substantial, if improving, trade deficit—have given rise to considerable concern and controversy about "the Third World debt problem."

Concern

In several respects, however, this public concern would seem to have been overdone. First of all the trade deficit has been sharply reduced from nearly $33bn. in 1975 to an estimated $18bn. (Chemical Bank projections) this year ($22bn. in 1976). Offsetting this to some extent is s rising deficit on services and transfers (including debt servicing), which more than doubled from $3.9bn. in 1974 to an estimated $9.3bn. this year. Despite this the current deficit in 1977 is being forecast at $27½bn. by Chemical Bank, well down on the worst levels of 1975 (nearly $40bn.), but still a far cry from the average of below $10bn. of the late 1960s and early 1970s.

Secondly, during 1976 international reserves—including those of non-oil LDCs—were rising, increasingly more than $36½bn. in the first half of last year. This is a higher level than at the end of the 1973 commodity price boom, which is when the LDCs started to move into massive current deficit.

Thirdly, the bulk of this Euromarket lending is concentrated in the hands of very few countries. At the end of 1974, 11 countries accounted for 72 per cent. of the debt of LDCs—Argentina, Brazil, Mexico, Peru, Greece, Israel, Spain (included in this category by the World Bank), Algeria, Zaire, Korea and Malaysia. At end-1975, just 8 countries (Argentina, Brazil, Colombia, Mexico, Peru, Philippines, Taiwan and South Korea) accounted for 80 per cent. of bank debt. Most of these countries have taken active steps to adjust their external payments and reduce reliance on external funding.

Fourthly, the exposure of banks—and especially major U.S. banks—has been exaggerated by the protagonists of the "Domino Theory," who argue that default by a major LDC borrower could threaten the whole structure of international lending to poorer countries. Citicorp estimates LDC indebtedness to U.S. banks at some $50bn., of which about half is guaranteed by Federal agencies or U.S. corporations. Of the remaining non-guaranteed bank debt, about 60 per cent. is self-liquidating trade finance with a maturity of less than a year. (Table 1).

This leaves only about $10bn. of non-guaranteed long-term claims on LDCs by the U.S. banks. At the end of 1975, the total exposure of non-guaranteed loans by the six largest U.S. banks to non-oil LDCs represented about 5 per cent. of combined assets. No single country accounted for more than 1½ per cent., while in the final quarter of 1975, Citicorp's outstanding loans to 30 lower-income LDCs averaged 1 per cent. of its worldwide loan portfolio.

Fifthly, the World Bank has calculated that public debt service ratios of non-oil LDCs were lower in 1976 (12 per cent.) than in the 1970/72 period before the swing into massive deficit caused by the oil price rise and the recession.

Sixthly, once adjustment is made for inflation, the debt servicing problem looks far less formidable. Without adjustment for price increases, public sector LDC borrowing rose 31 per cent. in 1973 and 28 per cent. in 1974. Deflated by an import price index, the increase is 7 per cent. in 1973 and there was an actual fall in 1974. In nominal terms, debt service payments are shown to have more than doubled from $6.3bn. in 1970 to $13.3bn. in 1974. After deflation with an import price index, the increase is from $7.1bn. in 1970 and $8bn.—about 12 per cent.

This is not to go to the other extreme and deny what is undoubtedly a very serious problem out of existence. Nor should it be denied that there are very serious shortcomings in the financing flows that have evolved during the 1970s, especially for the poorer and middle-income countries.

It is a fact, for instance, that in one year (1974) the external public debt of LDCs rose 24 per cent. to exceed $150bn. It is clear also that the relative shift from concessional flows to flows provided on commercial terms poses severe potential debt management problems. This is not only a consequence of the shorter maturities and higher interest rate costs, but also management is made more difficult because of the floating rate attached to Eurocredits.

With fixed rate loans, LDCs could at least forecast accurately their servicing costs, but the fluctuation in the 6-months Libor rate from more than 14 per cent. in 1974 to 5 per cent. late in 1976, creates a major forecasting problem. The relative importance of such floating rate debt is shown in Table 2.

In essence, the switch from public to private flows has hardened the terms, but with two major compensatory benefits. Most obviously, without these flows LDCs would not have managed real growth of around 5½ per cent. a year (1973/75), only marginally lower than the 6 per cent. averaged in 1968/72. Secondly, they have had greater freedom in use of funds as the relative significance of tied-funds has declined.

Problems

Looking ahead, the problems are formidable. Some aid sources have dried up (the IMF oil facility) or are likely to slow (OPEC funds). There is no guarantee at all of the performance of private sector flows. There could well be a crowding-out effect as domestic loan demand recovers in the industrial countries. The poor and middle-income LDCs are getting very little of this private sector lending, although they need it the most. Too much of the lending is for "pure" balance of payments purposes and very little finds its way into the unglamorous but absolutely vital areas such as rural development.

Suggested solutions include the development of co-financing arrangements, where Eurocredits are combined with funds from an official agency. The advantage here is that the agency provides what has been called "a moral umbrella" as well as the technical appraisal of the project. The net effect is funds are available at a lower cost. In 1975 co-financing included the $95m. from the World Bank for Brazil's steel project combined with a $55m. Euro-currency loan from banks.

Morgan Guaranty has recently called for "new initiatives" in the area of official financing more in keeping with the longer term structural problems of the LDCs. One method would be to establish a variety of "safety nets," so that the relatively strong surplus countries could provide lines of credit for those in severe deficit situations. Preferable to this though, Morgan believes, would be an enhanced IMF role. What is needed is access to enlarged credit by members and also increased resources for the Fund.

Another possibility would be greater use of the international bond markets by LDCs, though there is little evidence to date of any enthusiasm among Eurobond investors for Third World risks.

T.H.

1. BANK CLAIMS ON SELECTED COUNTRIES

(Domestic and Eurocurrencies)

June 1976	All banks $bn.	U.S. banks as percentage of total
Mexico	15.8	72.9
Brazil	17.4	63.6
Argentina	3.2	69.8
Colombia	1.5	82.9
Peru	2.5	50.0
Other non-OPEC Latin America	8.7	36.9
South Korea	3.7	81.1
Taiwan	2.3	94.7
Philippines	2.4	86.2
Thailand	1.3	65.1
Others (Asia and Africa)	9.4	51.7
Venezuela	3.0	91.9
Indonesia	3.0	66.4
Others (OPEC)	9.4	39.1
USSR	9.2	11.7
Others (Communist States)	17.9	12.6
TOTAL	110.2	30.6

Source: Morgan Guaranty; World Financial Markets.

2. PUBLIC DEBT OUTSTANDING 86 LDCS, INCLUDING UNDISBURSED, DEC. 1974

	$bn.	Per cent.
Loans from Governments	66.77	44.1
Loans from international organisations	30.24	20.0
Debts to private financial lenders:		
(a) Variable interest rate	15.41	10.2
(b) Fixed interest rate	15.40	10.1
Other private debt	23.59	15.6
Total private	54.40	35.9
TOTAL	151.4	

Source: World Bank.

'utcome

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; to the Zairean debt sull- is indicative of this. Banks already committed to this ry are openly critical of stions that they might cipate in a new $250m. t.

ere is no denying the im- nce of the role played by commercial banking sector ustaining countries, par- rly the non-oil LDCs, dur- difficult period when im- prices were rising steeply export prices depressed by ecession. At the same time, ssues are clear. First, there be no question of countries the Euromarket to avoid efinitely—the need for ice of payments adjustment r than balance of payments financing. That in the past countries have managed — and still are managing—to delay adjustment unduly while waiting Micawber-like for something to turn up is admitted. But it is getting increasingly difficult.

Secondly, even if the Euromarket had the capacity in the medium term—which is unlikely—to meet the requirements of the countries, especially in the non-oil LDC sector, which are in "structural" deficit, it is scarcely the appropriate instrument. Whether a new international institution or an enlarged World Bank/IMF is necessary is a matter for debate. What seems clear is that some such new initiative must needs be taken before very much longer.

2. INTERNATIONAL LENDING TO COUNTRY GROUPS

(% of world total)

	1975	1976
dustrial countries	54.9	54.9
)Cs	28.7	29.3
ternational organisations	9.5	11.1
mmunist countries	6.9	4.7

urce: Morgan Guaranty: World Financial Markets.

3. INTERNATIONAL CREDIT GROWTH

	1975 $bn.	1976 $bn.	% change
iternational bond issues	19.9	29.7	+ 49.3
ublicised medium-term credits	21.0	29.0	+ 38.1
npublicised credits	6.0	8.0	+ 33.3
Total	46.9	66.7	+ 42.2

ource: Morgan Guaranty: World Financial Markets.

Growth of Asian dollar funds

DEVELOPMENTS in the Asian dollar market since the recovery in activity after the 1974/75 period of relative stagnation have been such that could make 1976 look in retrospect a couple of years hence a key year in the maturing process of the market. All the ingredients that combine to encourage the natural development of an international financial market-place contributed in some way last year towards the still slow but sustained growth in the sector.

Singapore has continued to show the will to remain the main centre of the market alongside Hong Kong. Both demand from borrowers and the pool of funds available have grown. The international financial community in the area has continued to expand.

Moreover, the economic conditions and requirements of the region which the market principally serves have shown favourable trends. And if the area is not yet regarded as among the most politically safe in the industrial and developing world, at least there have been no serious disturbances recently to rock the boat. Just as important, political upheavals elsewhere, as in Italy, have indirectly served to cast areas like Asia in a relatively favourable light.

Some banking quarters would also argue that increasing recognition and establishment of the market has been demonstrated over the last year by the amount of controversy that has surrounded it.

Two schools of thought have emerged quite distinctly. On the one side a forum of international commentators has denounced the market as a precocious upstart that has no business to claim a separate identity alongside venerable institutions like the Euromarket which are almost twice its age. On the other there have been the enthusiasts who have eagerly greeted every new issue on the market and each new event affecting its operation as another sure step towards a brilliant future.

Certainly, as those financial commentators who profess a more balanced view of the market's place in the system point out, the present debate is uncannily reminiscent of the kind of argument that marked the young Euromarket in 1963. The Eurobond market at that time was regarded by many as a convenient but temporary adjunct to the New York U.S. dollar market whose only justification for existence was the U.S. Interest Equalisation Tax.

The Asian dollar sector is still at a stage where it invites conflict of opinion on its long-term future. Since 1968 the dollar deposit rate has grown from just $30.5m. to some $16bn. currently in spite of the 1974-1975 setback. But while this rate of development may seem impressive, the Asian currency unit was still towards the end of last year being estimated by the Bank for International Settlements at only around 6 per cent. of the net size of the Eurocurrency market.

Fillip

Similarly, the Asian bond sector, while showing dramatically stepped-up activity in the primary market last year, including a certain fillip to its status as a result of having seen two issues totalling $50m. from the European Investment Bank (both were listed only in Singapore and Hong Kong), was still the generator of fewer than a dozen new issues totalling only a little more than $250m.

The fact also remains that there has to be a fundamental weakness in a market where secondary trading in issues has still not matured. Asian investors remain unwilling to accept straight bonds with more than a seven-year life and at the same time are notorious for banging on to their paper until maturity. Latest figures for the third quarter of 1976 showed that for deposits and loans, maturities of up to one year comprised 85 per cent. of total uses and 92 per cent. of total sources of funds.

Related to this problem, critics of how the market developed last year also urge both potential borrowers and investors to compare those bonds placed and listed simultaneously in Europe and Asia with those placed only in Asia. It is pointed out that where underwriting and placements have been exclusively in Asia—as in the case of the Industrial Bank of Japan's modest $20m. offering last June for five years at 8½ per cent.—the subsequent secondary market price has been up to one point lower than those with comparable terms placed simultaneously in Europe as well.

The syndicated loan market is a rather different story, where Singapore's geographical position and provision of expert banking services makes it an important fund raising arena for governments in a rapidly developing area of the world.

An important recent development has been the Singapore Monetary Authority's decision to allow major exporting Asian companies and agencies to raise "impact" loans, although the chief drawers of syndicated loans remain governments in the region. The latter are responsible for nearly three quarters of Asian dollar loans, which in the first half of last year alone amounted to some $1.6bn. Major fund raisers have included the Indonesian Government for Pertamina's debt servicing and refinancing requirements, the Philipines for balance of payments and development purposes and Hong Kong for the Mass Transit Railways project.

The market may be vulnerable to some criticism where South Korea and the Philippines, with debt servicing ratios nearing the 20 per cent. danger point, accounted for $194m. and $812m. respectively of that $1.6bn. But for the most part the region compares well with, for instance, Latin American countries, as demonstrated by the less than 2 per cent. over LIBOR rates being paid on loans.

Moreover the potential of the region is of special attraction to international bankers. It is noted, for instance, that in the first half of 1976, even excluding Singapore itself, six countries were the recipients of roughly a quarter of the amount of Euro-currency credits made to non-OPEC countries. The region has long been a net borrower of Euro-currency credits.

Also encouraging for the financial community in the area is the Singapore Government's continued desire to see itself at the centre of this activity—even as some critics might say at the expense of neglecting the country's internal industrial development.

The U.S. dollar identity of the market was born in 1968 when the Government gave permission to the Bank America to establish a presen in Singapore to borrow n resident foreign currencies f medium-term lending to Asi enterprises. This was quick followed by the removal of per cent. withholding tax foreign depositors' intere earnings and then by the di posal of exchange contr affecting these transactions.

The Government's reco has not been entirely cons tent. It hurriedly imposed "special deposit" ratio interbank swap arrangeme in 1972-73 when it beca alarmed at the effect domestic liquidity and lo interest rates of heavy specu tive demand for Singapo dollars.

But since that time it h been amenable to the devel ment of offshore activities fr Singapore and more recen has demonstrated this by p gressively relaxing regulati to enable resident individu corporations and investme companies to participate in t offshore market up to certa limits, while also abandoni its 20 per cent. liquidity rat requirement for banks deali in Asian dollars.

Expertise

There is no doubt that t Asian dollar market as operat from both Singapore and Ho Kong has benefited enormous from the arrival of major inte national banks from the We This has not only contribu to the expertise of the financ community so that now the areas have become traini grounds for financiers fr elsewhere in the Asia-Paci region but could also be of importance in the developme of the infant bond market. is hoped that even if the proce of familiarising the market wi new borrowers names from o side the region is a long o having well known names managers and underwriters w help to ensure expansion.

There are now more than banks participating in the As dollar market, of which tw thirds are foreign banks. Amon the latest international nam to announce it is to "formalise its presence in the region Merrill Lynch Internation which in the first instance pla to open a representative off in Hong Kong specifically participate in the syndica loan sector and in the seco is hoping also to set up a lo subsidiary to underwrite As dollar bonds. The bank's As specialists have discerned sig of secondary market develo ment and state frankly: " feel this market has reached t stage of the Euromarket 1973."

Pauline Clar

Activity in D-marks

ALTHOUGH 1976 was another record year for new Deutschemark issues for foreign borrowers, the relative importance of the currency in the Eurobond market declined. This was because the share of dollar issues—which in proportionate terms had fallen from upwards of 80 per cent. in the 1963/67 period to just over 40 per cent. in 1975—rose sharply last year, with Inter-Bond's calculations putting it at 72 per cent. as against 13½ per cent. for the Deutschemark (27½ per cent. in 1975).

The different—and broader—definition of the Eurobond market so as to include the Swiss franc as well as more D-mark issues and fewer dollar issues, as provided by a major West German Eurobank, (Table 1) shows a similar pattern. The dollar share went up to just over half last year (30.7 per cent. in 1975) while the D-mark share fell from 30 per cent. to 19 per cent. This table is helpful too in that it gives an indication of the significance of Swiss franc issues (17.3 per cent.), which are usually excluded from the statistics.

1. INTERNATIONAL BOND ISSUES AND PRIVATE PLACEMENTS 1976

	$bn	%
U.S. dollars	8.96	50.6
Deutschemarks	3.36	19.0
Swiss francs	3.07	17.3
Canadian dollars	1.44	8.1
Others	0.83	5.0
Total	17.7	100

Source: Deutsche Bank.

Position

Whatever the year-to-year relative swings, there is no disputing the position of the D-mark as the number two currency in the Eurobond market proper. By the end of last year there were some 500 outstanding D-mark issues with 220 borrowers from 30 different countries. The amount outstanding in D-mark issues is calculated by Westdeutsche Landesbank at DM36½bn. ($15½bn.), compared with a dollar sector figure of $29bn.

From the foreign investor viewpoint, the major attraction of Euromark issues has been the strength of the currency, which more than compensates for the lower yields and coupons in that sector than in dollars. (Table 2.) Clearly the argument works in the opposite direction for foreign borrowers, who are faced with the prospect of having to redeem their loans in a currency which has appreciated considerably. It is for this reason that the most appropriate Euro-mark borrower these days is one with access to D-mark earnings—such as ICI, which raised DM100m. late last year.

It will be surprising if both investors and borrowers do not face a similar scenario—only more so—this year. Forecasts point to a continuing strong West German current account surplus and a lower inflation rate than in the U.S. and most other industrialised countries. Accordingly, further D-mark appreciation is very much on the cards, drawing investors to D-mark bonds but inducing caution among borrowers.

Of course country borrowers and especially the supranationals, (World Bank, EEC, EIB, etc.) are less exchange movement sensitive and are expected to continue to borrow heavily. Supranationals, with more than 85 issues and upwards of DM10bn. in outstanding issues, have been the largest borrowers in the D-mark market, with the World Bank easily in the lead. But it is agreed that because investor portfolios are already well stocked, it is becoming increasingly difficult to place this kind of paper.

After enjoying very strong secondary market conditions in the latter part of 1976, Euromark prices weakened in mid-January, reflecting a number of cross-currents. These were sufficient to cause the banks to stretch the February new issue calendar into March, thereby giving the market more time to accommodate new offerings.

These cross-currents include rising dollar interest rates, which had a negative effect, and the narrowing differential between short-term rates in the domestic market and yields in

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Maturities mismatch

ING MORE clearly exem- the extent of the inter- al banking world's ry from the mid-1974 of confidence than the that banks have since felt safe to increase long-term lending con- oly faster than they attract long-term deposits. uild-up during the last medium-term syndicated has been well documented loan-by-loan basis: the ate figures published by nk of England in its last rly Bulletin show that is not been matched by parable increase in long- deposits: in other words, London at least, the have increased the extent h they convert short-term s into medium- and long- lending in their inter- l business.

Bank of England's statis- f course, cover only a of overall international ending. But information maturities of outstand- ding and borrowing by internationally is not le for any centre other ondon. (U.S. statistics on an banks show maturities s at the date they were without allowance for apsed since.)

o is thought to account aps between 40 per cent. per cent. of overall Euro- business, so that even for a probable concen- of inter-bank, and thus rm, business there, an of the Bank of l's figures is valuable.

THE LONDON MARKET ($bn.)				
How U.K. banks convert short-term deposits into long-term loans August, 1976				
Maturity	Deposits	Loans	Net position (deposits− / lending+)	Deposits as % of loans
Under eight days	.38	30	− 8	126
Eight days to under one mth.	34	26	− 7	128
One month to under three	53	43	−10	123
Three months to under six	34	29	− 6	120
Six months to under a year	14	13	− 1	105
One year to under three	8	16	+ 8	49
Three years and over	5	28	+24	16

Note: Holdings of certificates of deposits classified according to maturity.

Source: Bank of England Quarterly bulletin, December, 1976

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ank of England's figures ul in the year to last the latest for which s available, outstanding the books of banks in which were not due to id for at least a year m $38.7bn. to $44.3bn. same period deposits of maturities remained stable, rising from to $12.4bn.

meant that whereas 30 t. of banks, medium and m loans were matched dium and long-term in August 1975, the d fallen to 28 per cent.

i these total figures e marked variations in nt in which different of London-based banks short to lend long. Best all are the Japanese They covered 56 per their outstanding one s loans with deposits ar maturity. Even at t end—three years or e Japanese banks were to the extent of 44 per

e other extreme were nsortium banks. Last only 6.5 per cent. of ns for one year or more vered by medium term at maturities of three r more the ratio of to lending was 1.6 per American and British banks, which account for over half London banks' medium and long-term lending are in an intermediate position. Both had 10 per cent. of their lending of three years or more covered by deposits of similar maturity last August (down from 25 and 16 per cent. respectively a year previously); 29 per cent. of American banks' loans of maturities of one year or more were covered (down from 32 per cent.) and 22 per cent. of British banks' lending (down from 27 per cent.).

The significance of these ratios, and in particular of the trend, is open to question. Those who adhere to the traditional view that borrowing short and lending long is an activity which banks should keep strictly under control would doubtless see the trend as dangerous, especially in view of the 1974 experience when a number of rescue operations had to be mounted for individual banks hit by deposit withdrawals.

Those who look to the banking system to provide increasing volumes of finance for investment, by contrast, will look with approval on any move by the banks to increase the extent to which they convert short-term deposits into long-term loans.

In fact there is a lot in the figures to comfort those who worry about the extent of borrowing short and lending long in this market. In the first place there is the unchanging fact that the international banks' transformation of short-term and potentially volatile deposits into long-term illiquid loans is firmly anchored in a much larger volume of inter-bank transactions.

Inter-bank business accounted for over 85 per cent. of London banks' deposits last August and over 70 per cent. of loans (only in a small proportion of these loans were the borrowing banks acting as end-users).

The high ratio of inter-bank to other business continues to ensure the liquidity of the system, even in the absence of a formal lender of last resort.

Even in the case of the consortium banks, inter-bank business accounted for more than 50 per cent. of lending last August.

Secondly, medium and long-term lending hardly grew faster in the year to last August than lending as a whole. In both August 1975 and August 1976 such loans accounted for between 23 and 24 per cent. of total lending. (However, with the pick-up in large scale medium-term loans since last August it seems likely that the ratio may have increased.

Finally, there has been some improvement at the very short end of the market in that the banks were by last August considerably less vulnerable to short-term deposit withdrawals than for some time past. For maturities of up to eight days, banks' liabilities were matched by easily realisable assets (including certificates of deposit) to the tune of 89 per cent. last August, up from 67 per cent. a year previously.

Opposite

In the fourth column of the accompanying table these figures are expressed the opposite way round (that is, the table shows the extent to which deposits exceed loans). In addition, certificates of deposit have been treated as realisable only when they reach redemption date. The 126 per cent. figure shown for maturities of up to eight days compares with 131 per cent. a year earlier.

What has happened is that the mismatch at the very short end of the market has been rolled forward to periods of between eight days and three months. Thus the 128 per cent. figure for the period of between eight days and a month shown in the table is markedly up from a year previously, when the figure was 116 per cent.

There are those who would argue that banks are still dangerously vulnerable to deposit withdrawals. But nonetheless it is clearly an improvement that the excess of deposits over realisable assets has been rolled forward.

Mary Campbell

The oil producers

OVER THE past three years since the massive escalation of oil prices just before Christmas of 1973 the business of projecting surpluses has proved an inexact science. Now just two months after the last ministerial conference of the Organisation of Petroleum Exporting Countries the task is harder than ever. The split-price decision was unprecedented in the annals of the 16-year-old producers' club. During the first half of 1977—it looks unlikely whether there will be a compromise between Saudi Arabia and the United Arab Emirates which resolutely limited their increase to 5 per cent. and the majority sticking firmly to a minimum of 10 per cent. seems unlikely. It is anyone's guess how the price will average out.

As it is, the latest edition of Morgan Guaranty Trust's *World Financial Markets* has essayed an initial projection for 1977 of a producers' surplus of $32bn. "on the crucial assumption of no change in OPEC's terms of trade." That would compare with an estimate of $38bn. for 1976 when the final outcome for the producers would have been very much better than was originally anticipated. Spurred by the buying spree in the last few months of the year total output ended 12 per cent. up over the level achieved in 1975 and, indeed, in the last two months of 1976 surpassed the peak recorded in September, 1973.

To that extent the final outcome on the OPEC current account ledger was a misleading one. 1976 saw a trend already obvious in the previous year, emphasised: the concentration of the bulk of the surplus in the hands of three producers—Saudi Arabia, Kuwait, and the United Arab Emirates (or more strictly speaking Abu Dhabi). Meanwhile, the Bank for International Settlement's analysis shows that OPEC producers' contribution to Euromarket pool rose by only $3.7bn. from $29.3bn. to $33bn. in the January-September period of last year. An increasing proportion of the OPEC surplus—about a third in the January-September period of 1976—has found its way to the U.S.

There is an irony in the fact that Saudi Arabia should be prepared to remove the old *ceiling* on its output of 8.5m. barrels a day in an attempt to force the majority of producers to lower their prices. In 1976 the Kingdom was able to spend perhaps only a third of its oil revenue, boosted by a 21 per cent. rise in output, to as much as $35bn. The IMF's monthly statistics on international liquidity have ceased to be a reliable guide to the Kingdom's total foreign assets since early 1975 when the total passed the $20bn. mark. At the end of November last year the figure recorded for Saudi Arabia was $26.68bn. while in reality the accumulated surplus is likely to be in excess of $60bn. That is a reflection of the switch towards longer-term investment noted over the past two years by the U.S. Treasury and the Bank of England. Saudi Arabia probably accounted for 60 per cent. of the total OPEC surplus in 1976 when there must have been a further accretion of about $20bn. to its assets.

Kuwait, the oldest of the surplus oil states and the second most significant one until now, will have seen its share of global OPEC surplus fall. In 1976 its oil production was only up 3 per cent. while demands on its revenue increased significantly. Its current account surplus is likely to have fallen from some $6bn. in 1975 to $4-5bn. in 1976 despite a rising investment income which is now running at well over $1bn. annually. *Kuwaiti financial* institutions have remained prominent in the management, underwriting and placement of international bonds (with the state's contribution coming largely from official coffers) but over the past year it has not been as active as in the past—not the least because banks opposed to the Arab boycott restrictions deliberately attempting to exclude them from the market.

As for the UAE, Abu Dhabi would have recorded a fiscal surplus of $1bn. or more out of its $5.5-6.0bn. oil revenue despite the increased demands of the federal budget and generous aid disbursements. That money will go to swell the funds at the disposal of the Investment Authority, which are now believed to total $4.5bn. including a significant proportion of European bonds. The UAE budget for 1977 has yet to be finalised but when it is, on paper at least, Abu Dhabi may appear to have no surplus in prospect, especially if it stands by its decision not to increase oil production. In practice, development spending is likely to fall well short of the target but the Abu Dhabi National Oil Company evidently is planning to borrow for projects.

Even though it is not pulling its weight in the field of federal finance Dubai, by contrast, has considerably increased its borrowing commitments. Following hard on a $225m. Euro-dollar loan the £202m. suppliers' credit arranged for Lloyd's was the biggest yet to be backed by the Exports Credit Guarantee Department anywhere in the world.

Qatar is fourth among the producers regarded as a surplus one in the long-term. Its actual expenditure is a subject of some mystery but it appears that last year from a revenue of rather more than $2bn., it would have had about $500m. to spare for the State Investment Fund which now has assets of some $1.5bn.

On the other side of the coin were the deficit members of OPEC, for which the outcome of 1976 was generally better than expected because of the surge in oil production in the latter part of the year. The poorest in terms of per capita income, Indonesia was a heavy borrower from the Euromarkets even in the boom year of 1974 and had publicised loans from the pool amounting to over $900m.

Against original expectations Iran will complete its fiscal year 1976-77 (ending March 20) with a payments surplus of about $900m., compared with a deficit of the same order in the previous one. However, while some projects are being indefinitely delayed and expenditure is being trimmed, the Government has been borrowing again heavily. The $500m. loan eventually clinched last month after eight months of haggling brought Iran's borrowings since the beginning of 1976 to $1.4bn.

Venezuela achieved budgetary and payments surpluses in 1976 despite a marginal decrease in oil output. In the name of conservation this leading Latin American producer is planning a decline this year and is planning to resort heavily to the market for the financing of its 1976-80 development plan. Late last summer it raised $1bn. through a syndicate of banks. The $1.2bn. loan announced last month may be seen as the first major slice of the $4.5bn. external borrowing requirement foreseen by the Government over the coming four years.

Algeria probably ranks as the most financially strained of all OPEC members. With its limited oil production and the existing doubts about how soon its gas projects will generate revenue, it may have more or less stretched its borrowing capacity to the limit last year. In 1976 it raised $730m. from the Euromarket bringing its long-term debt to $4-5bn. but in addition at the end of last year this North African producer was believed to have some $7.5bn. in suppliers' credits outstanding.

Politics apart, it is not surprising that Iraq was the most militant on the prices front at the last conference as it contemplates its $49bn. 1976-80 development plan. Baghdad made its one recorded foray into the Euromarket in 1975 raising $500m. then and subsequently hesitated to use the facility.

To judge by payment delays Libya seemed to be having some liquidity problems in the first half of 1976 but these appear to have eased since then. The year to last September saw a considerable improvement in the country's reserves from $2.13bn. to $2.79bn. Nigeria increased its reserves from $5.85bn. to $5.77bn. in the year to the end of September 1975. In 1977, however, budgetary and payments deficits may mean that Nigeria will resort soon to the Euro-currency markets.

Richard Johns,
Middle East Editor

marks

CONTINUED FROM PREVIOUS PAGE

omark sector. In the market the yield curve l markedly last year, e gap between returns n ten-year paper falling per cent. at the end of 2.3 per cent. late last a 30 per cent. decline. Euromark sector, for seven to ten-year ave drifted to 7 per below for prime borleaving investors with that the bottom cannot way.

2. INTERNATIONAL BOND YIELDS	1973 Dec.	1974 Dec.	1975 Dec.	1976 Dec.
U.S. COMPANIES				
U.S.$	8.30	9.35	8.52	7.39
DM	9.18	9.33	7.99	6.92
EUROPEAN COMPANIES				
U.S.$	8.56	11.23	9.62	8.56
DM	9.18	9.93	8.77	7.38

Source: Morgan Guaranty; World Financial Markets.

lecline has brought the eturn to around 3 per n current figures of 4 it inflation), which is some analysts as a minial return for the Gerestor who is exceptionlation-sensitive. In this it is notable that some Euromark issues with coupons — as for Light of Brazil — have outed the top quality n the secondary market, ng investor preoccupath yield rather than

dditional negative inhas been the diversion into U.K. gilts on yield ations, though this e shortlived given the rance of currency fears erling.

bstantial proportion— the greater part—of rk issues tends to be outside Germany. Instiare not large buyers, to stick to domestic nent issues, and possibly ing issues by Western nents and supraa like the World Bank. Private investors tend to be discouraged to some degree by the fact that yields are lower —by perhaps ¾ to ½ per cent. —in the Euromark sector than on domestic paper, and with the D-mark's currency record there is little incentive to diversify one's portfolio for currency reasons, with the obvious exception of Swiss franc paper. Accordingly much of the paper tends to find its way into Swiss, Middle East and offshore (U.S., German, Belgian, etc.) hands.

Higher

Interest in dollar bonds increased in 1975-76 mainly on yield considerations, with higher returns being available on dollar paper combined with the possibility—in the short run at least—of currency benefits. But usually there has to be a material yield differential to compensate for the possible foreign exchange loss.

The complex inter-relationship between inflationary expectations, interest rates and currency levels discourages predictions about future market trends. But on present form indications are that investor interest will remain high—on currency considerations if nothing else—while borrowers will tend to be wary for the self-same reason.

An important innovation in this market is the recent extension by Deutsche Bank of the Schuldschein (promissory note) to the dollar sector with a $50m. loan for the Australian Shipping Commission on a fixed 8 per cent. coupon and with an average life of 4½ years. The Schuldschein was originally designed to service German institutional investors who could place very large sums of money via this instrument, with denominations ranging from a few million D-marks to DM100m. Foreign banks have been able in the past to buy Schuldschein investments and although the SSD were designed to be dealt with in millions and held to maturity by the investor, a strong secondary market has developed in them in D-marks and may now do so in dollars.

T.H.

Japanese need more elbow room

THE POSITION of Japanese institutions within the exclusive community of Euromarket operators has always been different from that of the dominating North American and European members. Like yachts in a race alongside engine-powered boats, they have been obliged to rely to a considerable extent on external forces—specifically, the economic climate in Japan—to maintain their momentum while their foreign confederates have been able to utilise the benefits of an internal mechanism for generating business created out of their much greater freedom.

Strictly speaking, Japanese banks can only play a very limited role in the Euromarket because of Ministry of Finance restrictions on long-term borrowing and because they are not allowed to act as underwriters.

The situation is the result of a charter drawn up in 1969 designed to preserve industrial democracy in a country where banks were already powerful and where there were fears that their power could get out of hand if they were able to use their industrial contacts to secure a monopoly of the capital market business.

The effect of this in Japan and on the way Japanese institutions operate on the Euromarket is that it has achieved something of a balance of power between the banks and security houses. In so far as it is practicable, the two sides jealously guard the territories laid down for them by the Ministry of Finance. The security houses are supposed to stick to their role as underwriters of Eurobonds, while the banks make use of short-term funds and participate in medium-term syndicated loans and sometimes long-term loans, but only with special permission of the authorities at home. Any loan made by the banks for more than one year has to go through the Ministry of Finance, to avoid conflict with prevailing Japanese monetary policy.

Thus both sides are vulnerable to the economic and monetary conditions prevailing in Japan. The security houses which concentrate mostly on underwriting Eurobonds for Japanese borrowers are threatened by any move by the Japanese Government to restrict Japanese long-term borrowing abroad. The balance of payments position in the country also dictates the Ministry of Finance's attitude to the banks' operations in the Euromarket.

The picture, however, is not quite as the Ministry of Finance would like. As one Japanese banker put it: "The regulations become rather blurred when you are operating thousands of miles away from the Ministry of Finance and when you are anyway working with external funds." Both banks and security houses have as a result devised ways of appearing to continue to be "yachts" while maintaining an outboard motor which they attempt to conceal below the surface.

Subsidiaries

These "motors" take the form of subsidiaries set up in the main financial centres of Europe to enable both sides to benefit from the whole range of Euromarket activities. The security houses have banking subsidiaries; for example, Nomura Securities with Nomura Europe NV and the Daiwa Securities with Daiwa Europe NV. The banks have security house subsidiaries; Fuji Bank with Fuji Schweiz in Switzerland.

In addition, the Japanese houses have extricated themselves further from Ministry of Finance's scrutiny and also made the job of vetting their activities even more difficult by participating in joint venture institutions with Western banks. Mitsui has a tie-up with Hambros, Fuji with Kleinworts and Sanwa with Barings. Moreover, a number of the Japanese banks have come together with Japanese security houses to form joint Eurocurrency banking operations.

Japan International Bank in London, for instance, is specifically a Eurocurrency bank with Fuji Bank, Mitsubishi Bank, Sumitomo Bank, Tokai Bank, Daiwa Securities, Nikko Securities, and Yamaichi Securities as its shareholders. Both on the Eurocurrency and securities side it did well last year with a pre-tax profits rise from £1.89m. to £2.99m.

All these diverse limbs of the Japanese institutions, however, do not enable the Japanese to operate with complete freedom. They serve rather to give them that much more elbow room within their own country's jurisdiction. As one Japanese Euromarket banker in London put it: "We don't want to have the reputation at home as bad boys." Moreover, the activity has not gone unnoticed by the Finance Ministry, which was particularly concerned last year about Japanese banks raising short-term Eurodollars for long-term investment—a practice that had inevitably increased with the creation by that time of some 24 joint banking ventures controlled by Japanese banks. In April it announced that it was to tighten up its policy on such plans.

TYPES OF SECURITIES OFFERED
($m. January, 1974-October, 1976)

	Equity	Convertible	Straight Bonds	Total
U.S.	53.0	315.0	260.0	628.0
Europe	119.7	574.0	2,258.0	2,951.7
Arab	—	90.0	190.0	280.0
TOTAL	172.7	979.0	2,708.0	3,859.7

Source: Nomura Research Institute.

JAPANESE ISSUES IN INTERNATIONAL CAPITAL MARKETS
($m.)

	1974	1975	1976(J-O)	Total
U.S.	30.0	260.0	338.0	628.0
Europe	217.9	1,134.3	1,599.5	2,951.7
U.S.	112.0	358.0	867.3	1,337.3
DM	41.2	361.3	354.5	757.0
Sw. Frs.	64.8	394.7	377.6	837.1
Others	—	20.6	—	20.6
Arab	—	210.0	70.0	280.0
TOTAL	247.9	1,604.3	2,007.5	3,859.7

Source: Nomura Research Institute.

Benefits

For obvious reasons those institutions that have already established joint ventures are unlikely to object. There is also a consciousness within the Japanese community in the West of the benefits of being subject to regulations that are also designed to prevent them from indulging in cut-throat competition with each other as occurred in the 1973-74 heyday.

Last year economic developments in Japan went very firmly in favour of the Japanese Euromarket operators and this too has enabled them to maintain momentum in the field without resorting too much to activities that might be thought of as unpatriotic.

Japanese banks and security houses operating in the Euromarket and in other areas of banking business overseas still rely on Japanese customers for 80 per cent. of their lending activities. The security houses in particular benefited from the huge influx last year of Japanese commercial borrowers into the Eurobond market and have been prominent in organising and underwriting such loans. In the first ten months of last year alone, Japanese issues on the international capital markets totalled more than $2bn. compared with $1.6bn. in 1975 and only $248m. in 1974.

The urgent need for overseas borrowing immediately after the oil crisis is over. The Government now, for balance of payments reasons and because of the inflow of foreign currency into Japan, is anxious to curb the trend—particularly in view of its net overseas liabilities imbalance. This is reflected in corporate issues which fell from $357m. in the second quarter to around $250m. in the third. However, at present there is little fear by the security houses that they will be seriously deprived of business.

The Japanese Government is unwilling to intrude on the borrowing activities of Japanese companies raising money overseas to finance their foreign ventures while because of its own budget needs it is anxious not to see overcrowding on the still not highly developed domestic bond market. Indeed it recently announced plans to allow more Government guaranteed borrowing abroad by public authorities. Moreover, fears that it would cut down the amounts of individual loans were so[...] what allayed by the very re[...] record NTT borrowing in [...] York of $150m.

The security houses have [...] benefited from being oblig[...] become experts in the issu[...] convertible Eurobonds—a [...] in which they probably [...] have more expertise than [...] Western counterparts and w[...] should stand them in good s[...] when their presence in the [...]ket becomes well enough e[...]lished for them to play a gre[...] role in managing non-Japa[...] Eurobonds. In the period [...] January 1974 until October [...] $979m. worth of converti[...] were issued against $2.[...] straight issues and the t[...] has grown markedly in line [...] the recovery of the Japa[...] stock market.

Biggest

The two biggest issuing ho[...] —Nomura Securities, w[...] managed 26 overseas bonds [...] year totalling $768m., and N[...] Securities, which managed [...] worth $531m.—are confid[...] that this trend will grow, pa[...]cularly with the introductio[...] consolidated financial st[...]ments from Japanese compa[...] this April. Since this form [...] bond is also cheaper for the [...]rowers, they also expect in [...] to see more convertibles i[...] by non-Japanese corporatio[...]

Also of great significan[...] the Japanese status in the E[...] market are the current m[...] in Japan towards internatio[...]sation of the yen. The pros[...] of a Euro-yen remains som[...] off in view of the fu[...]mental changes in the Japa[...] monetary infrastructure [...] would be needed to suppo[...] and particularly to enable [...]ward trading in the curre[...]

Moreover, Japanese [...] and security houses have a [...]tain self-interest in discour[...] moves towards too great [...] liberalisation of the finan[...] system in Japan. It would b[...] in foreign competitors.

But forces are at work [...] which they have little con[...] For political reasons and to [...]rect the imbalance in Jap[...] foreign assets/liabilities [...] the Government has had to [...] steps to encourage foreign [...]rowing in yen. Last year si[...]ficant moves were made in [...] direction and since off-s[...] yen deposits are already b[...]ing up in the Japanese E[...] market banks there is [...] speculation that internati[...] yen Euro-loans may be [...] within five years. Since [...] Japanese Euromarket banks [...] the only prominent operat[...] whose own currency is not [...] being effectively used as a E[...]currency, the implications [...] this to their future status in [...] market are clearly significan[...]

Pauline C[...]

مكتبة من الأصل

EUROMARKETS VII

Canadian borrowing

INCREASINGLY important Canadian involvement in :uromarkets is evident in main respects. On the side, the most important t is Canadian issues in the York capital market, which ily trebled from 1.96bn. in 1974 to $5.6bn. ear. Secondly, there is the hat Canada was last year rgest country borrower in urobond market, with new totalling nearly $2.8bn. ly, there is the rapid h of the volume of issues necessarily for Canadian wers — denominated in lian dollars. Finally, there growth of Canadian innent in the medium-term ated credit and Euroit sectors.

b a substantial, though ving, current account, Canada is a heavy interal borrower. According :CD figures, the current of nearly $5bn. in 1975 just over $4bn. last year forecast to decline again 7 to $3½bn.

his situation Canada will ne to be a heavy borrower Euromarket, though cons have moved against ian names in recent s. Such was the deteriora- the market for internaCanadian dollar issues arlier this month it was d to cancel the Can.$25m. ig by Simpson - Sears tance Company and to the funds in the domestic t instead, where conditions had become more favourable, in relative terms, with the decline in interest rates.

The two interrelated problems adversely affecting international borrowing by Canadian concerns and Eurobond issues denominated in Canadian dollars have been the political ramifications of the separatist victory in the Quebec elections on the one hand and the international weakness of the Canadian dollar on the other.

Late last year, the Canadian dollar declined to an effective six-year low against the U.S. currency unit, reflecting these political fears and the reduction in domestic interest rates. After a recovery in December/January, the Canadian dollar weakened again early this month, discouraging investors from buying new Canadian-denominated issues.

Despite this, a feature of the Eurobond market last year was the much enhanced importance of Canadian dollar issues, though the volume did tail off in the latter half of the year. It was only in May 1974 that the first publicly offered Eurobond issue denominated in Canadian dollars took place and during that year, the volume of such issues was a mere $60m. But in 1975 this increased to $560m., more than doubling last year to $1.4bn., representing 9 per cent of total new Eurobond issues last year and making the Canadian dollar third in importance after the dollar and Deutschemark (or fourth if Swiss franc issues are included).

In 1974-75 a limited number of Canadian dollar bonds were sold—all of them by public sector borrowers (provincial and municipal names) as private sector borrowers were effectively excluded from the market by the 15 per cent. non-resident withholding tax. This tax was abolished in mid-1975 on new issues of corporate bonds with a maturity of five years or more.

Increasing

Corporate borrowers, while still relying on the U.S. capital market for the greater part of their externally funded requirements, have subsequently made increasing use of the Eurobond market, with total Canadian borrowings last year estimated at $2.8bn. The volume of Canadian dollar issues slackened markedly in the latter half of the year after averaging almost $500m. in the first two quarters, to average $200m. in the final two quarters of the year. There was a strong resurgence in January, when more than $300m. of new Canadian issues were sold.

Two main reasons for the popularity of borrowing by way of Canadian denominated Eurobonds were the favourable cost differential that existed until very recently, and the desire to avoid the exchange risks incurred in borrowing in foreign currencies, such as the Swiss franc or Deutschemark.

In 1975-76 interest rates on new Canadian dollar issues in Europe were well below those ruling in the domestic market, though underwriting and other overhead costs tended to be higher—running at 2 to 2½ per cent. for Eurobond issues as against 1 to 1½ per cent. for domestic issues. The Bank of Canada has estimated that after adjustments for maturities and the frequency of interest payments, the cost advantage to the Canadian borrower of raising funds in the Euro-Canadian bond market was about ½ to ¾ per cent. per annum during 1976.

Other advantages of borrowing in the Euro-Canadian sector include the fact that fewer regulations have to be satisfied and the lead time for raising funds in Europe tends to be shorter. Above all, there is the advantage of diversification of sources of funds which is of major significance to the big borrowers.

Financial institutions have been major borrowers in the market, a key advantage here being that because their earnings depend upon the gap between borrowing costs and lending rates and that their assets are largely in Canadian dollars, they are particularly vulnerable to the currency risk involved in borrowing abroad in foreign currencies.

The Bank of Canada's figures show that the average issue size for Canadian dollar issues has been $25m. to $30m., and the average maturity six years, which is markedly shorter than with domestic issues. The average yield on Euro-Canadian dollar bonds has been higher than for Eurobonds generally but lower (until very recently) than yields on domestic offerings. At the same time, yields on Canadian dollar issues have been higher than on U.S. dollar bonds issued by Canadian entities, presumably reflecting the belief that the Canadian dollar will weaken relative to the U.S. unit.

Recent growth has not been confined to the bond market. Euro-Canadian dollar deposits —that is, deposits denominated in Can$ and held by banks abroad by both foreign banks and external branches of Canadian banks — have also become increasingly important. The Bank of Canada says that the bulk of such deposits are held in Europe, but activity has been increasing in the Caribbean offshore banking centres. There is, however, virtually no secondary market in Euro-Canadian dollars.

The Bank of Canada estimates that Canadian dollar deposits at foreign branches and subsidiaries have quadrupled to $500m. in the two years to mid-1976. The gross size of this Euro-Canadian deposit market is put at around $2bn.

The expansion of this part probably reflects the desire for currency diversification by multinationals, monetary authorities and foreign investors, as well as the higher interest rates obtainable on Euro-Canadian deposits relative to the Eurodollar market.

It is also possible, the Bank of Canada believes, that there is an inter-relationship between the expansion of the Canadian dollar bond market and that for Euro-Canadian deposits.

While Canadian banks are extremely active in the syndicated credit market, Canada itself has not been a major borrower recently. Last year's Canadian borrowings are put at only $255m. compared with $415m. in 1975, leaving the bulk of the foreign borrowing to be carried out in the U.S. Eurobond and Swiss capital markets.

Tony Hawkins

Comecon dealings

E ARE growing signs that ill-publicised drama over on's hard currency debts oming less tense, though es not necessarily mean the grouping will iish the conspicuously place it has come to on the Eurocurrency ts.

developments in recent s have brought a change atmosphere. The first is igh a complete trade pic- 1976, which shows that on managed for the first ince 1971 to reverse its y widening deficit with :CD countries.

iminary estimates suggest p will be around $5.7bn. ed with nearly $7bn. in This is the result of a nd determined effort by on countries to increase exports and trim back s to the bare minimum. ales to OECD rose by 16 nt. but their imports by per cent.

development was foreed by the new Five Year which all stress the need eve more balanced trade e West, and it is an indi- of how effectively East an governments can conheir foreign trade, and ore their debts, if they to. If this trend were to ue, Comecon would be n the black by the end of ade.

second development is a able shift in bankers' es towards East Europe. ears ago Comecon was an wn quantity which somenaged to borrow huge on excellent terms. The at it managed to do this ll disclosing vital informaprovoked apprehension en resentment. A part at f the ensuing debate over on's creditworthiness was ited by a desire to force ast Europeans either to disclose more or pay a premium for their secrecy.

To-day, however, the Western banking community is learning to live with Comecon; and has even developed a degree of familiarity and trust. Any bank worth its salt runs a large and busy East European research department to help it make rational assessments of Comecon creditworthiness, albeit still on the basis of thin information. There is also a growing feeling that the normal criteria of debt and debt servicing need not necessarily apply to tightly controlled and centrally planned economies.

Manageable

For a combination of all these reasons, many leading bankers associated with East-West finance believe that Comecon's debts are manageable, and that its members will on the whole be able to continue raising money. There are even signs that margins on East European loans have begun to decline. This is partly due to underlying market trends, but partly too to the standing of Comecon's better credit risks.

Certainly the East Europeans' activities on the Euromarkets in the last 12 months point to a change from the hectic times of 1975.

Their rate of borrowing slowed down noticeably during 1976, and according to figures compiled by Morgan Guaranty, most of the communist countries' Eurocurrency loans were raised in the first half of the year. These loans accounted for some 9 per cent. of total world borrowing compared with 12.5 per cent. the previous year.

The biggest drop came from the Russians who obtained $282m. in publicised loans compared with $750m. in 1975. This was in line with the reduction in their hard currency trade deficit, from $3.7bn. to some $2.8bn. The $600m. raised by the International Investment Bank, whose loans are usually chalked up on the Soviet slate, will be used to finance the Orenburg gas pipeline project in which all other European members of Comecon are participating.

Poland, whose debts are causing the most concern, still managed to raise over $500m., though at higher than average margins and by resorting to borrowing in names other than Bank Handlowy—like the Polish Steamship Company and the Union of Inorganic Chemical Industries. Poland also accomplished the reassuring feat of cutting its trade deficit to some $1.7bn. from $2.3bn. in 1975.

There were also healthy trends in Hungary where the deficit fell by some $200m. to $360m., helping the National Bank to gain a spread of only 1¼ per cent. on its latest $150m. loan. In a characteristically outspoken Press conference at this loan's signing, the Bank's vice-chairman Janos Fekete said that Western estimates of Comecon indebtedness failed to take into account loans already repaid as well as member countries' own currency reserves and claims on the West. He said Hungary would borrow abroad about 5 per cent. of the $22bn. needed under its Five Year Investment Plan.

The news was less good from Bulgaria, Czechoslovakia and the GDR, each of which is grappling with either relatively large or growing deficits. Czechoslovakia took out its second Eurocurrency loan, for $200m., as its deficit rose beyond $250m. The GDR and Bulgaria continued to borrow as before, the former in the face of a rapidly worsening trade picture, the latter while imports were running at nearly twice the rate of exports.

The most recent news is that Romania is currently putting together its first ever Eurodollar loan, for $50m., with NatWest a lead manager. Romania has frequently been rumoured in the past to be sounding out the market. This loan comes at a time when Romania's payments position looks more encouraging. Trade with the West in 1976 was almost exactly in balance.

There was also a flurry over the news that the International Bank for Economic Co-operation (Comecon's trade financing institution) was being prevented from putting together its latest loan because it was not officially registered in London. In the end the loan had to be cancelled, and the bank will not come back to the market until the legal position is cleared up. This is highly confusing since both IIB and IBEC have already raised several loans in the West.

But despite the overall improvement in Comecon's deficit, it still ended 1976 deeply in the red. And it would be surprising if it managed to maintain the new trends, particularly the sharp drop in imports, without causing itself economic damage.

According to Otto Wolff von Amerongen, President of the German Association of Chambers of Commerce, who takes a special interest in East-West trade, the communist countries' debts to the West could still double by 1980 to some $80bn. He said that debt servicing payments already consume between 15 and 20 per cent. of exports to the hard currency area, and he cited Poland, the Soviet Union and Hungary as examples.

Any marked drop in Comecon interest in Euroloans therefore looks unlikely, especially if interest rates continue to edge downwards. At the present rate, 1977 could bring the Comecon spread below 1 per cent.

David Lascelles

Good year for Eurobonds

BY ANY yardstick 1976 was a highly successful year in the international bond market for borrowers, investors and dealers alike. On the Morgan Guaranty calculations the volume of new issues was up 49 per cent. at a record $29.7bn., while the narrower definition used by Inter-Bond Services produces an 84 per cent. rise to $15.25bn.

In the secondary market, both clearing systems reported record turnovers, with Cedel's aggregate more than doubling to $29.7bn. and Euroclear's up nearly 160 per cent. at $37bn. To the extent that new issues are included in these totals, the turnover figures mirror the boom in the primary market, and because of double-counting it is not legitimate, dealers say, to regard the sum of the two totals as an accurate turnover aggregrate. None the less, it is clear that there was very strong expansion in secondary market activity last year.

Investors enjoyed the best of both worlds with a wide range of new issues from which to choose combined with rising bond prices in the secondary market which pushed the medium-term (two to seven years) Bondtrade Index to a 10-year peak and the long-term index to a 45-month high. This was accompanied by a broadening of the secondary market—in terms of participants and investors, with increased institutional interest—and growing sophistication.

Less satisfying, both for investors and issue managers, was the borrower profile. As in 1975, public sector borrowers accounted for at least 50 per cent. (and, dependent upon definition up to 60 per cent.) of the new issues. The international agencies whose share of the Eurobond market had been only 5½ per cent. in 1975 accounted for 14 per cent. last year (or 16½ per cent. if New York issues are included).

This has meant that investor portfolios—frequently satisfied with their public sector "exposure"—have been relatively starved of top-quality corporate paper and especially the Triple-A U.S. names. Indeed, last year U.S. companies accounted for only one-quarter of 1 per cent. of new issues and while there has been a definite resurgence of corporate borrowing in the first few weeks of 1977, investors are clearly anxious to see U.S. names back in the market on a large scale.

Chief country borrowers last year were Canada and France followed by Japan. Australian borrowings increased more rapidly than the market, while from the Third World Brazil and Mexico were significant borrowers. The UK's market share grew sharply, as did Norway's and Denmark's, but Austria, Sweden, Finland and the Netherlands reduced their borrowing in absolute terms.

Decline

During 1976 yields continued their 1975 decline, falling by at least 100 basis points, though the return on Swiss franc bonds fell more than 200 basis points. As a result at the year-end the yield pattern was not far different from its December 1972 appearance. According to Morgan Guaranty calculations, the yield on long-term issues in the dollar market for U.S. companies in December 1976 was 7.39 per cent. (7.49 per cent. in Dec. 1972), while for European companies in the Euromark sector the return was 7.38 per cent. (7.19 per cent. in Dec. 1972).

Although there was a tendency towards longer maturities last year, the change was only marginal. Compared with 1975 the ratio of short-term issues (up to five years) declined by 3 percentage points and the ratio of long-term issues (11 years and more) rose by a similar margin. A comparison with 1972—before the 1973-74 slump in bond activity—shows just how radically investor preferences have changed. Then, more than 83 per cent. of issues had maturities of 11 years or more, whereas in 1975 this ratio was 5½ per cent. and about 9 per cent. last year. It seems highly unlikely that the market will get back to the pre-1974 maturities mix—at least until a return to the inflation levels to which investors became accustomed in the 1950s and 1960s.

Features of the league table for lead-managerships include the continued dominance enjoyed by Deutsche Bank, the marked increase in importance of the Swiss houses, especially Credit Suisse White Weld, and the astonishing resurgence of S. G. Warburg and Co. New entrants to the top 20 include London-based Eurobanks such as Orion and European Banking. The most notable absentee from the table is Kreditbank Luxembourgeoise—which had held fifth position in 1975—reflecting the loss of relative placing power suffered by the Belgian and Luxembourg houses last year.

The strong secondary market performance last year can be linked to falling interest and inflation rates in many countries, the steeply-rising yield curve (though this did flatten somewhat over the year), disillusionment with equity investment (and with commodities) and abnormally high liquidity in the banking system.

This latter aspect has led to no little controversy and concern about the placement of bonds in the past 15 months in particular. To what extent has "an overhang" developed in the form of bond holdings by banks and financial institutions investing in such assets to compensate for stagnant loan demand?

Eurobankers differ sharply on this question. Some believe it to be a very serious problem, while others feel that in the light of the 1973-74 setbacks, banks would not have allowed such a situation to develop. Most bankers answer the question by stating emphatically that their own institution certainly does not invest in this kind of asset, though banks may have held inventories because of the time taken to place them in firm hands.

Holders

We may never know just how real a problem this is. It is only when the market is clearly on the turn and interest rates rising that such holders will want to sell heavily, but by then it may well be too late for many of them. Rather than throw their bonds on to a falling market, they may well opt to sit on their losses pending the return of better times. Nonetheless, if such buyers were an important force in the market last year, their withdrawal in 1977—possibly because of rising loan demand, higher Eurodollar deposit rates and inflationary expectations—could have serious implications for the secondary and primary markets.

Underpinning the situation to some extent in 1977, and increasingly thereafter, will be the self-generating forces within the market—the reflows of funds from interest, sinking fund purchases and redemptions. One estimate, including purchase funds and double-up features for sinking funds, puts the reflow at some $5.4bn. this year, rising to $6½bn. or $7bn. next year.

This $5.4bn. figure represents 35 per cent. of last year's record new issue volume, implying that so long as these reflows are being reinvested in the market they constitute an important bedrock support. Furthermore, it is expected that some bonds will be called this year, thereby adding to the reflow potential.

A feature of the 1977 market to date has been the enhan

CONTINUED ON NEXT PAGE

INTERNATIONAL BOND ISSUES

(including New York Foreign Issues)

Lead Managers League Table

Ranking 1976	(1975)	Manager	Volume $	Issues
1	(1)	Deutsche Bank	2.35bn.	29
2	(2)	Morgan Stanley International	984m.	25
3	(8)	Credit Suisse White Weld	852m.	13
4	(24)	S. G. Warburg and Co. Ltd.	808m.	17
5	(4)	Westdeutsche Landesbank	586m.	17
6	(3)	Morgan Stanley and Co.	500m.	6
7	(15)	UBS (Securities) Ltd.	493m.	7
8	(—)	Kuhn Loeb and Co., New York	425m.	5
9	(—)	Lazard Freres and Co.	425m.	6
10	(19)	Wood Gundy Securities Ltd.	351m.	13
11	(7)	Dresdner Bank	341m.	10
12	(—)	European Banking Co. Ltd.	335m.	5
13	(21)	First Boston (Europe) Ltd.	360m.	[illegible]
14	(10)	Kidder Peabody International	330m.	[illegible]
15	(—)	Orion Bank Ltd.	327m.	10
16	(—)	First Boston Corp.	325m.	4
17	(10)	Kuhn Loeb and Co. International	320m.	7
18	(6)	Merrill Lynch PFS Inc.	300m.	6
19	(12)	Amsterdam-Rotterdam Bank	298m.	10
20	(18)	Smith Barney Harris Upham & Co.	280m.	[illegible]

Source: Inter-Bond Services Eurobond '77 Year Book

Floaters return to favour

A FEATURE of the Eurobond market last year was the resurgence of floating rate note issues. The first Eurobond floater was launched in May 1970 for the Italian utility ENEL, under guarantee by the Government of Italy. By present-day standards, it was a very large issue — $125m. — with interest at ¾ per cent. above Libor and a minimum rate of 7½ per cent., which at the time was well below the ruling Libor rate.

After the ENEL issue, the size of issues declined, spreads increased (to 1 and even 1½ per cent.), but the main borrowers continued to be governments and industrial concerns. They came to this market either because its terms were better than those available on a fixed rate security, or because their credit rating ruled them out of the straight market. Borrowers during this phase included Argentine, Brazil and Panama.

Activity in this sector slackened sharply in 1974-75 with the decline in Eurodollar deposit rates and the return of a normal rather than inverse yield pattern. Borrowers switched either to the fixed rate bond sector or to syndicated credits and accordingly only one new floater was raised in the first eight months of 1975—$25m. for the Empresa Nacional del Petroleo, which had a 1¼ per cent. spread above Libor and an 8¾ per cent. minimum.

But in the past 18 months, the market has come into its own, though this time primarily as one for bank borrowers. At the same time, the quality of borrower has improved, so that spreads have fallen to a "norm" of ¼ per cent. above Libor. Minimum rates of 7¼ per cent. or 8 per cent. have been replaced by a minimum as low as 5¼ per cent. for the Banque Nationale de Paris.

Last year there were 28 floating rate issues which raised $1.1bn., or just over 7 per cent. of total bond issues (excluding Swiss francs), according to the Inter-Bond Services statistics. A total of $995m. was raised in the dollar sector with 26 floating issues, comprising more than 15 per cent. of the dollar bond total for the year. This compares with seven issues, worth some $240m., the previous year.

From the bank borrower viewpoint, the floating rate note has two major attractions. First, although it is more costly than inter-bank borrowing (because of the spread above Libor, the front end fees and the minimum rate), it tends to provide cheaper finance than is the case with medium-term fixed-rate borrowings. For instance, in recent weeks, bank floaters have been launched with minima ranging from BNP's 5¼ per cent. to (say) 6¼ per cent. for the Williams and Glyn's issue.

Tapped

This compares with a coupon of 7¼ per cent. upwards being paid by prime borrowers in the fixed-rate market. Obviously, however, the fixed-rate borrowers who have tapped the market in the last few months will benefit relative to the floaters, once a sustained increase in Eurodollar deposit rates materialises.

Secondly, floaters allow banks to broaden their capital base and ensure future availability of funds which is not always the case with wholesale deposits. The security aspect, at a time of concern about secondary banks, as in 1974, should also not be overlooked.

For their part, investors secure four main advantages. First, the minimum rate protects them when interest rates and coupons are falling. Secondly, they share the benefits of higher returns when the rate structure is moving up, which would not be the case with fixed interest stock. Thirdly, the instrument is relatively liquid, so that there is little likelihood of being locked in. Finally, the minimum is important because it protects the investor against large scale net selling by institutions and professionals once a wide gap opens up between Libor and the yields available on fixed interest paper.

Not surprisingly, at a time when interest rates look set to move higher, floaters have been very popular so far this year. In the first six weeks of 1977 there was a total of $365m. in new floaters, including two comparatively large issues of $80m. for Credit Lyonnais and $70m. for BNP. This total includes one issue for a non-bank borrower, the French railways.

T.H.

Swiss move into first place

...E seeking to assess the ...ance of the Swiss ...e to the Eurobond ...need look little further ...e so-called league tables ...managerships for new ...during 1976. There nne ...st how the "Big Three" houses dominated the ...tional placement market ...r.

...total of 350 international ...listed. Credit Suisse ...Weld (which, of course, ...from being a purely ...house) appears as cu... ...r to 118 with a volume ...ng $5.9bn. Close behind ...Union Bank of Switzer... ...Securities) with 114 ...ad a volume of $5.8bn. ...third place the Swiss ...Corporation (Overseas) ...1 issues. On 1975 rank... ...y volume). Swiss Bank ...tion would have held ...place, UBS fifth and ...11th.

...t...

...mplies a marked relative ...placing power. Indeed, ...ance of all three major ...ouses from the list of ...gers for an issue is ...t to induce a consider... ...ree of investor caution ...e outcome of the issue ...d.

...of the Swiss houses— ...m third place and UBS ...th position—rank in the ...as lead managers for ...his year, UBS with its ...he $200m. Mobil plac... ...the three Swiss banks ...as joint managers for ...m. Shell International ...placing have clearly ...rated their dominance, ...e same time, attracted ...Eurobond market the ...top-quality corporate ...which was relatively ...st year.

...portance of Swiss par... ...a in an issue has been ...sed by Mr. Armin ...f, UBS who noted that ...many an issue project ...reached the market ...one or more of the big ...Swiss banks advised ...its launching or de... ...the co-management ...s."

...tes vary of the placing ...the Swiss banks as a ...ut one senior Swiss ...ays that last year at ...ber cent of total Euro... ...ssues were placed, ...or indirectly, by the ...stitutions. Mr. Mattle ...has put the figure at ...0 per cent., adding that a further 15 per cent was taken up by what he calls "other genuine investors," while the balance of 25 per cent went into short-term finance holdings.

The combination of these estimates and statistics of management group participations underlines the pivotal role that the Swiss institutions play in the dollar and Deutschemark sectors of the international bond market. Accordingly, it has become increasingly important—as Swiss placing power has developed—for managers to try to tailor their offerings to match the demand preferences of Swiss-managed funds. This does not, of course, mean the Swiss investor alone, but the very broad range of private and institutional clients whose funds are invested via Switzerland. Because the spectrum of clients is so wide, generalisations on investor preferences are misleading, but some general areas can be identified, though they cannot be quantified.

For a start the Swiss-managed funds tend to prefer corporate to public sector names, partly reflecting the relative shift towards public sector names that has taken place in the last two years. Secondly, they prefer quality corporate names and particularly the Triple-A U.S. corporate paper which has a very considerable scarcity value indeed. The bulk of the $200m. Mobil issue earlier this year is believed to have been placed with the in-house funds of the manager, UBS.

Thirdly, they prefer medium-term paper, which means 5 to 8-year maturities, though there has been a greater willingness in the past year to take up 10 year paper, often with a 7 or 8-year average life. Fourthly, there is an understandable demand for strong currency paper, which in the past 18 months or so has meant U.S. dollar, Deutschemark and Swiss franc names. There is no enthusiasm for "different" currencies or issues denominated in international units of account, such as SDRs.

Finally, there is a positive dislike for Third World paper, for issues from the less developed countries. This comment should be modified to the extent that Swiss houses have taken up a substantial portion of issues for international organisations such as the World Bank for onlending to the Third World. This kind of security is preferred, and accordingly, Swiss banks say that they saw little demand from their traditional clients for the recent $100m. Venezuelan issue.

In a sentence, the Swiss institutions are catering for an essentially conservative investment community willing to trade off a lower return for improved quality and security—that is, reduced risk. This is evident not only within the bond investment strategy itself, but also in respect of the trend away from equity and towards fixed interest. One Swiss investment adviser has estimated that in 1977 he expects the Swiss-managed portfolio to include some 60 per cent. of fixed interest stocks (as against 50 per cent. or less previously), with 20 to 30 per cent. in equity and gold and the balance in cash.

In currency denominations, he expects investors to opt for a 65 to 70 per cent. U.S. dollar stake in portfolios, 20 per cent. in Deutschemarks and the balance in other currencies, predominantly Swiss francs. The Swiss resident would probably hold a higher proportion of Swiss franc investments.

In addition to this vital placement role in the dollar and Deutschemark sectors of the Eurobond market, Switzerland is of major international importance by virtue of the volume of foreign borrowing in the form of Swiss franc denominated loans. Here there are two distinct markets—the relatively small public issue market and the much larger but much less visible private placement market.

Volume

Both have, in fact, been growing very rapidly, but the volume of public Swiss franc issues last year for foreign borrowers was less than 30 per cent. of that for private placements of notes—which, in fact, for reasons of policy get very little publicity. Still, the volume of Swiss franc public issues has risen from SwFrs1bn. in 1974 to SwFrs3bn. last year.

With falling inflation and interest rates, the Swiss franc sector is an attractive one for both foreign borrower and investor, though the former, without access to Swiss franc earnings, has suffered from the comparative appreciation of the Swiss currency in recent years. Interest rates for foreign borrowers have fallen from a high point of 8¾ per cent. in 1974-75 to as low as 5 per cent. for the recent Philips issue, but in the light of the poor response to the recent Government loan issue, rates seem unlikely to decline further.

The public issue market for foreign borrowers is carefully regulated by the Swiss authorities who set a two-monthly quota level for such borrowings (excluding international organisations, such as the World Bank, which are not subject to quota). Last year the quota ended the year at SwFrs460m. for a two-month period, but this has since been raised to SwFrs510m. for the first two months of 1977. Most public offerings are for SwFrs80m. or SwFrs60m. with a final maturity of 15 years, with bonds offered in SwFrs5,000 denominations.

Contrast

By contrast the private placement market is for five to seven-year paper. Interest rates tend to slightly lower than in the public market (though comparatively higher when the difference in maturity is taken into consideration) with the size of issue varying from SwFrs15m. to SwFrs500m. This market is not regulated by the authorities, though they discourage publicity. The volume of private placements has risen steeply in recent years. It reached SwFrs4.7bn. in 1971, declining to SwFrs2.8bn. in 1974. But in 1975 it rose to SwFrs7.2bn. and then increased again last year to an estimated SwFrs10bn.

Private individual investors are by far the largest holders of these private placements despite the fact that the notes are denominated in amounts of SW.Frs.50,000. The main borrowers in the market are first and foremost the international organisations, followed by Nordic and Japanese borrowers (including Japanese convertibles) and both private and public sector organisations in such countries as Austria, Canada and France. In essence, the "mix" of borrowers is similar to that found in the Eurobond market last year.

The combination of the private placements (Sw.Frs. 10bn. in 1976), public issues for foreign borrowers (Sw.Frs. 3bn.) and bank credits (Sw.Frs.2½bn.), make up a total capital export by the banking sector alone of some Sw.Frs.15½bn. This compares with a capital inflow of Sw.Frs.3.5bn. in 1973 and an export of just over Sw.Frs.2bn. in 1974, rising to Sw.Frs.12bn. in 1975. But this figure is largely offset by capital imports into Switzerland by multinational corporations, and by foreign investment in Swiss issues.

T.H.

Eurobonds

CONTINUED FROM PREVIOUS PAGE

role of private placings. European Banking set the ball in motioo last year with its $120m. private placing (initially $100m.) for Dow Chemical. Tbis was highly successful and traded subsequently in the secondary market at a sizeable premium. UBS followed with the controversial $200m. two-tranche Mobil deal, and more recently we have had the $300m. private placing for Shell International, much of which is expected to be absorbed by the Swiss houses.

The consensus view in that market to-day is that a high level of new issue activity can be expected at least until mid-year, but thereafter higher interest rates, inflation and mounting domestic loan demand in the U.S. could cause a slowdown and (possibly) liquidation of short-term financial portfolios. Over the year as a whole, it seems unlikely that the volume of new issues will show much growth and there could well be a decline of some 10 per cent. or so in new offerings.

In the secondary market there is an air of caution too. Bond markets dislike uncertainty, inflation and rising interest rates and with a new expansionist administration at work in Washington, all three aspects are uppermost in investor psychology.

T.H.

COUNTRY BORROWERS IN THE EUROBOND MARKET 1976

	$Bn.	Percent.
Canada	2.8	23.0
France	1.25	10.4
Japan	0.94	7.8
Norway	0.83	6.8
U.K.	0.66	5.4
Australia	0.6	5.0
Sweden	0.51	4.3
Denmark	0.33	2.7
Switzerland	0.30	2.5
New Zealand	0.28	2.3

Source: Credit Suisse White Weld.

EUROMARKETS X

Project finance demand

THE PAST few years have seen a tremendous growth in so-called "project lending." Banks all over the world have been setting up special project finance departments, staffed with highly paid MBAs, engineers and even nuclear scientists.

For some it is just a marketing exercise. Traditional corporate credits are now dressed up as "project loans" and the old export credit department has been given a fresh coat of paint and renamed the international project finance division. But for other banks, the development of project finance marks a major change in their traditional attitudes towards lending money, the implications of which are still far from fully appreciated. Banks are currently lending money on projects which would have been considered "unbankable" a few years ago.

Aside from its fashionable appeal (even bankers are fashion-conscious), there are two reasons why project finance is becoming increasingly important. Following tha post-Herstatt shakeout in the Euro-markets, banks have tightened up their credit vetting techniques considerably. Consequently, all but the top borrowers have found it increasingly hard to raise general purpose medium-term funds. These days a banker feels far more happy when he can see that a loan is for a specific project where the cash flow can be measured and the pay-back period assessed.

More important, however, has been the growth of capital-intensive projects, where the risks and sums involved are often on an unprecedented scale. The energy industry is a prime example. An oil refinery costs upwards of $500m., a coal gasification plant costs over $1bn. and a major oil pipeline may range anywhere between $5bn. and $10bn. By comparison the after-tax earnings of the world's leading oil companies are running at no more than $15bn. per annum. So even the top oil companies with a triple A rating, in some instances, can find it impossible to raise all the finance they need through conventional means.

For these reasons project finance has been growing in importance. The term "project finance" is often used loosely to describe project financings where the bank has full recourse to the borrower's balance sheet. But it has been defined over time to mean any financing where a lender is satisfied to look *initially* to the cash flows and earnings of a particular unit as the source of funds from which the loan will be repaid and to the assets of the project as collateral for the loan. In its "purest form" a project financing would ideally be non-recourse. A borrower would raise a loan for a specific project which would have no impact on his balance sheet ratios.

While this may be a laudable aim, in practice it very rarely occurs. There is normally considerable difference of opinion between tha borrower and the banker as to what constitutes a feasibla project financing. A borrower would like the projact to be financed idependently of its balance sheet, while the lender is generally unprapared to take an "equity risk."

Risk

This in turn raises the whole problem of tha role of risk capital in projects, and this remains a very grey area. Some argua that by eliminating the risks involved in a project the need for risk capital disappears. But rarely can all the parties concerned agree on what is, and what is not, a risk.

In fact deciding who is to shoulder the risks is the central problem in all project financings. To be successful the financing of a project should be so structured as to have as little recourse as possible to the sponsor while at the same time providing sufficient credit support through indirect guarantees, or undertakings from the sponsor, that the lending banks are satisfied with the credit risk.

Necessarily this involves considerable "horse-trading" between the project's sponsors, the various government export credit agencies, customers in third countries and the banks themselves. However, there are a number of key factors which will determine whether a project financing has a chance of getting off the ground. First, it has to have strong credit backing somewhere within its structure. If this cannot be in the form of equity capital, other solutions have to be found, such as indirect guarantees, take-or-pay contracts or, sometimes, sheer economic necessity. Such support can on occasion be hidden away in the balance sheet and not appear as debt.

A second criterion for a successful project financing is that lenders like to finance a project so long as it does not involve tha use of untried technology—this comes under the heading of an equity risk. Thirdly, the project sponsor must be able to demonstrate proven management expertise. Finally, a project is much more attractive if it has value as collateral. A bank would much more readily arrange a project financing for a ship, in normal times, because a ship could be sold if the worst comes to the worst whereas the same could not be said for a malfunctioning pipeline at the bottom of the North Sea.

Basically, there are four main types of project financing, depending on the degree of risk that the lenders accept.

In its "purest" form as a "non-recourse" loan the lenders are wholly dependent on the project for payout and there are no back-up guarantees. Few banks ara prepared to finance a project on such a basis.

The exceptions would be where the project involves completely proven technology, there is virtually no risk attached to the cash flow generated and the project is readily marketable. Such financing tends to be confined to U.S. oil production payments and shipping loans.

Tha second category of project finance is where the project is covered by a completion guarantee. The risk of non-completion on a project is regarded by many banks as the biggest potential risk. Such guarantees will probably be accompanied by performance undertakings. Once a project has been successfully constructed and meets its performance specifications a project loan often moves onto a non-recourse basis.

Then there are the projects which are covered by indirect guarantees such as "through-put agreements" and "take and/or pay contracts"—commonly used in financing pipelines and refineries. The basic idea of these indirect guarantees is that the borrowers (such as major oil companies) undertake to purchase a specified percentage of the output of the project concerned. If for some reason output cannot be purchased, the necessary debt and interest payments are still met.

Guaranteed

Finally, there are those projects which are unconditionally guaranteed by their sponsors. These differ little from traditional corporate credits but there may be advantages, in the form of easier regulatory approvals or more favourable export credit facilities, in structuring a financing as a project.

Fluctuating raw material prices can also torpedo a project's viability. A constant fear of banks involved in North financing, for example, is a sharp drop in the price crude oil would render m high-cost North Sea projects economic. Likewise, v swings in commodity pr makes many natural resou based projects in the less veloped countries vulnerabl

Most projects are financed a floating interest rate basis this in turn can cause probl A sharp rise in U.S. inte rates in late 1974 helped many real estate developers bankruptcy. Then there are sible supply problems. If a liquefaction plant designed supply LNG for export is layed, the specially desi LNG ships may lay idle extended periods.

Finally, there is the prol of the right mix of equity debt capital. However fle the banks' approach, bank ing cannot be a substitute long-term capital. But sources of long-term funds become relatively less in tant of late, and the bar community has stepped i fill the financial vacuum.

W

Performance of Arab banks

ARAB BANKING always has a political dimension thanks to the situation in the Middle East. Thus, for example, the "black list" of Western firms drawn up by the Arab side—and including some banking institutions—has impinged on international banking and the Euromarkets. It has done so by causing European institutions to leave Arab issuing houses out of management syndicates in the Eurobond market.

This was not a difficult thing to do last year, when funds were fully adequate to permit a huge expansion of the Euromarket, and Western banks were not obliged to go cap in hand to Kuwait and elsewhere. The boycott was always in the background and it was a bother to already overworked bankers. "It is a fact that the black list has a bearing on the performance of Arab banks", remarks Samir Nour of the Union de Banques Arabes et Francaises (UBAF) apropos the generally feebler results of Middle East institutions in 1976.

One hears a similar tale from the Kuwaitis themselves. At the Ministry of Finance in Kuwait, which is the main source of funds for the leading Gulf financial institutions active in the Eurobond market, recent visitors have received similar comments.

So there is a degree of Arab unanimity on this matter of Arab banking and the problem of the black list in the Euromarket. Kuwait Investment Co (KIC), Kuwait International Investment Co. (KIIC) and Kuwait Foreign Trading Contracting and Investment Co. (KFTCIC) in the Gulf and such leading European issuing houses as the Banque Arabe et Internationale d'Investissement (BAII) have all experienced this difficulty.

They are not prevented from doing business, of course. During the first half of 1976 Arab issuing houses accounted for about 10 per cent. of the Eurobond market; the "three Ks" above and BAII did at least as much managing and co-managing last year as in 1975 in overall volume. Yet their share of a very rapidly expanding market declined sharply—from over 30 per cent. two years ago.

The situation could change this year, however. One factor in favour of Arab houses would be a tightening of liquidity in international capital markets and a rising of interest rates; then the Europeans could be driven back in their direction again a little.

There is a second and more fundamental element in the market where Arab issuing houses are concerned—and again it is political. There is at least a possibility that the Carter Administration will succeed in bringing about a Middle East settlement this year or next: if this eventuality were to be realised the situation of the Arabs—with regard to the black list, the boycott, etc.—could change quite markedly.

At the moment these issuing houses are tending to function under a handicap in the Euromarket (notably, and always, the Eurobond market, where they are less well equipped to do syndicated loans given their limited scale to date). They have a bit of a ball and chain to drag behind them. Were the attempt to cross the tracks of the relatively few issuing houses with Jewish shareholders to be ended—and such would be one side-result of a Middle East settlement—then the overall posture of Arab bankers would improve; they would find it easier to hunt for new business.

Some Arab bankers already believe that a change has come about. Many had feared that Arab issuing houses would continue to find it hard to enter bond underwriting syndicates alongside the established European houses; but the traditional banks in the Euromarket increasingly accept an Arab presence in their world.

Minute

The scope of Arab activity, with or without a Middle East settlement, should not be exaggerated. Arab institutions still handle only a minute proportion of the oil funds supplied to the Western money and capital markets whether in Europe or New York. The Saudis, in particular, believe in conservative investment principles which turns out to mean, in practice, that they happily consign the bulk of their funds to American institutions, and follow the advice of their U.S. experts on the spot.

Even the Saudis, though, do not envisage a situation in which they will never sally out into world banking. This was quite dramatically illustrated last year when the first Saudi banks were established overseas; the most important of these was the Saudi International Bank, which opened in London. This bank, in which the Saudi Arabian Monetary Agency (SAMA) has 50 per cent. and Morgan Guaranty another 20 per cent., has already begun making medium-term loans.

To anyone who appreciates the Saudi predisposition to short-term deposits, not to say overnight money, this has been a marked evolution in attitude. The exaction of interest conflicts with the Sharia of Islam and yet it is indispensable to the banking profession: in the event the former has had to give way under the advice of the infidels. The Saudis have also set up their first overseas banks with purely private backing, Al Saudi Banque in Paris, behind which are ranged the limitless fortunes of Sheikh Abdullah.

The sad part of the tale — from an exclusively Arab point of view — is that while the Arabs have been edging quietly and with success into world banking, they have simultaneously lost their only international financial centre, Beirut, as a result of the Lebanon civil war.

A compensating thought, though, is that Bahrain, at least where the Gulf is concerned, is going through a boom. There is little doubt that Bahrain will remain the financial centre of the Gulf, given the propensity of the Kuwaitis to impose regulations on outsiders, if they let them in at all, and given also tha caution of the Saudis in matters financial. The boom has already reached a point where it is giving concern to the local authorities who are now much more cautious in the granting of off-shore banking licences.

Bahrain may not be the best place to live in, but its financial attractions have already pulled in 32 off-shore banks with assets at end-1976 of $6½bn. Some important names are still missing, notably the Japanese, but I understand from the latter that the Nipponese tide is on its way. The Bank of Tokyo, which is traditionally the leader in foreign activity, will arrive in Bahrain "probably within a few months," according to bank sources in Paris.

In any case, no one knows how rapidly Bahrain will expand. It "feels" right, yet everything depends on the Saudis across the soon-to-be-built Causeway. Will they or will they not funnel masses of their oil earnings through Bahrain? This is something on which Arab bankers tend to disagree, often quite violently.

Meanwhile, the technicians of Arab finance toil away at such fine mechanisms as Eurobond issues in Gulf currencies. These plainly have a future, but they are not yet easy as pie. Despite the flourishing of financial institutions in the Middle East since the oil crisis, there is still no real "Arab dollar market" and no profound market for bonds or secondary activity. The first bond issue denominated in Bahraini dinars emerged recently, however, and the scene is gradually opening up. Competitive Europeans should keep their usual wary eye upon it.

Henry Scott Stokes

The quid pro quo of prices

BY ELINOR GOODMAN

Terry Kirk

s Secretary Roy Hattersley speaking at yesterday's conference on the consultative document for a new prices policy.

[GO]VERNMENT thinking has gone through a remarkable about-turn [on the] ure prices policy in three weeks. At the end [of January] the Department of was confidently, if priva[tely, di]scussing abolishing the [s]ystem of price controls has been in existence [since 19]73. The Code was openly [attack]ed as outdated, cumber[some, ov]er-complicated and gen[erally] ineffective. [A mo]re flexible system was [to take] its place, which would rely on not rigid rules for profit margins and unit costs, but on a set of far more flexible criteria, backed by tougher powers to order specific price reductions and capable of being moulded around particular circumstances. But as the unions' resistance to another round of wage restraint grew, so the likelihood of the Government being able to persuade the TUC to accept so radical a change of policy diminished.

Just as a year ago, the TUC opposed similar proposals, so this time round it wanted much of the old Price Code retained. The result, published in yesterday's consultative document, is a compromise in which one of the two main planks of the existing prices legislation—the margin control—is cobbled together with the Government's original intention to introduce more flexible criteria for judging price increases, and backed by wider powers to order price reductions. At the same time a new concept is introduced into price controls: pricing decisions are to be made "socially accountable." Some small concessions have also been made to industry. But the CBI, which all along has had mixed feelings about the desirability of a more discretionary system, yesterday was still recovering from the shock of being presented with a package so very different from what it expected, and was not inclined to thank the Department of Prices for any small placatory offerings.

The proposals are by no means all bad news for industry. The existing prices legislation is not much more than an administrative (and sometimes expensive) burden on most companies in present market conditions, as was suggested earlier this month by the private preference of some industrialists for retaining the Code rather than introducing some unknown devil. Those companies that have been restrained by the Code in recent months have generally been more restricted by the rules relating to individual price increases than by the profit margin ceilings, which since last summer's relaxations are fairly generous if complicated in application.

It is these rules relating to individual price increases which are being dropped. As before, companies will have to keep within certain profit margin ceilings based on historic performance (the actual ceilings could be changed at a later date if the powers in the legislation are retained indefinitely) and reduce their prices if they exceed the profit limits. But businesses will no longer have to justify individual price rises to the Commission on the grounds of increased unit costs. Retailers, however, who did better out of last summer's code amendments than other sectors, would continue to be bound by both gross and net margin ceilings.

In place of the present allowable cost controls for manufacturers, a system of Price Commission investigations will be introduced. The biggest companies will have to go on submitting to the Price Commission 28 days ahead of implementing them, details of proposed price rises. The Government apparently hopes that the Commission, under a new chairman will be made up of industrialists and trade union members. It will sift price notifications, which should be simpler than the present applications, and decide which need further investigation.

The Commission will carry out two kinds of inquiries which will cover manufacturers, service industries, retailers and those nationalised industries not covered by other legislation. It will itself be able to initiate investigations of its own into particular companies. Having decided that a company needs further scrutiny, it would have the power to freeze any proposed price increase for three months or allow an interim increase. On the basis of these studies, which would take a maximum of three months and would not start from the premise that price increases were inevitable merely because costs had gone up, the Commission would make recommendations. Unlike the recommendations of existing Price Commission reports these proposals could be implemented by order of the Secretary of Prices, though he still could not do any more than block a proposed price increase for up to a year.

Some important safeguards are to be written into the statutory instrument so as to ensure that the recommendations do not have to be implemented if they depress profits below a certain level. But the CBI, which regarded this safeguard as only one of a range of safeguards needed is unhappy with this provision in isolation.

The other kind of enquiry the Commission would carry out would be general investigations, requested by the Secretary of State, into particular market sectors or trading practices. There would be no question of a price freeze during these investigations which could take over three months, but the Secretary of State would again have powers to implement the Commission's recommendations or extract legally binding undertakings from the companies involved.

In all, the Commission would probably only have time for about 10 of these general references a year and another 40 or so company references. But the factors they will examine will be wider than those now studied by the Price Commission. No mention is made of the use of labour productivity as such, but this would not apparently be beyond the Commission's scope if it thought fit, though the TUC would probably resist any such suggestion. Judgements will be made about the use of profits as well as their size.

The key difference between the proposed inquiries and the investigations initiated two years ago as a first step towards changing the basis of price controls is that they would be backed by far wider powers to reduce prices or margins.

Equally important, they would not mean that a company could do as it liked merely because it was not exceeding its profit references level or increasing its prices by more than its costs.

In this situation, the criteria which would give rise to any investigations are of fundamental importance. On the face of it these criteria, which under the Government's original scheme would also have been used as the yardstick for measuring the acceptable level of profit, seem to reflect a realistic appreciation of the costs of staying in business. But the question is how they will be interpreted and how companies will know, for example, whether they are earning more than a "real" rate of return on capital employed, etc.

It is this uncertainty which is worrying the CBI most. The CBI, which is incensed that additional powers should be introduced to control prices at this time, believes that unless companies are given some more precise guidelines about the kind of circumstances in which the Commission will swoop, business confidence will again wither. At the moment, they argue, there is a ceiling on profits but no floor under which companies would know they were free from the Commission's scrutiny.

A major worry in industry is that Mr. Roy Hattersley, Secretary of Prices, is by nature more of an interventionist than his predecessor, Mrs. Shirley Williams, and that he could use his powers for short-term political ends. His actions in the cases of beer and bread, they feel, have demonstrated this point. But Mr. Hattersley obviously wants the co-operation of industry: indeed he needs it for the policy to be effective.

For this reason he may be prepared to answer some of industry's demands provided they do not involve any fundamental changes to the proposals.

The obvious question about any new prices policy is whether it will be effective. Mr. Hattersley argues that it will be more effective than the present code, in that it will catch unjustifiable price increases in a way the present legislation cannot.

The new prices legislation certainly has the potential to make life extremely uncomfortable for those companies which are either directly or indirectly involved in a Price Commission investigation.

On the brighter side, the administrative burden on companies could be reduced if—and it is only an if at the moment—manufacturers do not have to make the complex submission about prices required at the moment. In theory, the abolition of the allowable cost regime may make it easier for companies to reach their profit ceilings if the market allows. But against this there is the additional uncertainty of not knowing whether they are within the rules or not.

Mr. Hattersely denies that the new proposals will harm industry. The CBI would argue otherwise. So too would retailers who have more to complain about than manufacturers in the consultative documents. In the event, the revamped Price Commission may not pose the threat that industry feared yesterday. But the immediate reaction of the CBI was that the removal of precise cost control was a poor quid pro quo for greatly increased uncertainty.

PRICE CRITERIA SUMMARISED

TO allow for unavoidable costs, taking into account maintaining value of the business.

TO encourage reducing costs by better use of resources, consumers to share the benefits.

TO allow profits giving a real return on capital sufficient to meet cost of finance, compensate for risk, and sustain investment and innovation.

TO maintain quality and satisfy changing demands.

TO encourage competition and afford protection against abuse of market power.

TO avert serious shortages and adverse effects on external payments.

TO maintain and expand British shares in world markets.

Letters to the Editor

... investment Bullock

[From th]e President, American [Chamber] of Commerce (UK)

[Sir,—Ha]ving that the Bullock re[port ha]s been published I find [it sur]prising—considering the [...]ness with which the [...]ion did its work—that [there is n]o reference at all in the [...] two pieces of evidence [from] an American. I would [have th]ought highly relevant to [...] covered in the report. [...]ince American company boardroom practice are [mo]re closely parallel to law and practice than [t]he German or Swedish I would have expected [the comm]ission to have taken ac[cou]nt of the Ameri[can exp]erience. And yet there is [no]thing at all in the report [on this] evidence. On this same [...] would say that, by any definition, "industrial [democra]cy" in the U.S. is at least a reality as it is claimed [in] Germany or Sweden. As [a matter] of fact, it is such an [integral] part of our industrial [tradition th]at most Americans find [it hard to] understand what all the [fuss in] Europe on this subject [is about. B]ut [beyond the] omission from the report concerns the [pra]ctical effect of its pro[posals on] American investment in [the U.K.] Our American Chamber [of Comm]erce organised an in[formal] one-day seminar on this [subject] in October which was [attend]ed by about 200 indiv[iduals, e]xecutives of major U.S. [compani]es and their U.K. subsi[diaries.] As you will know, U.S. [...]t investment in this [country] to-day stands at about [...] by far the largest foreign [...]—and is, potentially at [least, ca]pable of considerable expansion. The Prime [Minister,] Mr. Eric Varley, Mr. [...]rnett and other senior [Govern]ment officials attended [and ad]dressed the seminar—as [di]d Watkinson and Len [...] representing the CBI and respectively—presumably [...] additional American [investm]ent in the U.K. is con[sidered b]y them to be desirable.

[The] seminar proved that, [for] the American companies [repres]ented, there is much good [will an]d a general inclination [to give] preference to the U.K. [as a pla]ce in which to invest—[all o]ther things being equal, of [course.] But it also showed that [the ove]rriding factor in all investment decisions is [confiden]ce in the future econ[omic an]d political stability of [the cou]ntry. The confidence of [Americ]an investors in this [country] has been very fragile in [recent] years, but our seminar [seemed] to suggest a slight re[turn o]f this confidence factor [...]lime.

[The] first reaction of the [Americ]an executives with whom [I ha]ve now discussed the report can, I think, be characterised as a mixture [of b]elief and dismay. We [...] of course that every [country] is entitled to draw up [its ow]n legislation it may think [fit wi]thout being too concerned [about t]he reactions of foreigners. [In thi]s case, however—given the [stated] aim of both the Labour [and C]onservatives parties to [encoura]ge job-creating industrial [investm]ent in this country—it [would] be well to bear in mind [the pro]bable effects of Bullock [on futu]re American investment [...]

[In c]losing I should add that [...]ter is based on the limited [...] of conversations with [mor]e than a dozen American [...] executives. This [...] to date is an prepon[derantl]y opposed to the Bullock [propos]als, however, that the [...]er is undertaking a more [system]atic survey among our members. We expect this to yield facts and opinions that will be a relevant contribution to the debate on the Bullock proposals that the Government has said it wishes to encourage in the coming months.

Hugh Parker,
75, Brook Street, W.1.

Mathematics of Mentmore

From The Chairman, Save Britain's Heritage

Sir,—In your saleroom report (February 18) Antony Thorncroft notes that the Department of the Environment was frightened away from accepting Mentmore because of the running costs. In the House of Lords on February 9 Lady Birk estimated these to be £80,000 per annum. Although this figure appears decidedly on the high side it could still be recovered by revenue from visitors. With 100,000 visitors and an admission charge of 80p and a good shop, Mentmore could earn at least this sum. This is calculated on an average admission charge of 60p (taking account of children and parties at reduced rates) bringing £60,000, and an average gross profit of 20p per head for shop, guide book and tea rooms bringing a further £20,000. As the average turnover per head in National Trust shops is now 40p this is not unrealistic.

As far as visitors are concerned there are to-day some 16 houses which attract over 100,000 visitors without the benefit of additional attractions such as safari parks. Nearby Waddesdon had 96,400 visitors last year, opening five days a week from 2-6 p.m. Mentmore has the added advantage of being next to Whipsnade Zoo (which averages 500,000 in spite of bad public transport) and in the same catchment area as Woburn (believed to have over 1m. visitors a year). Equally, an 80p admission charge is not excessive in the context of those for other houses in 1977: Althorp and Chatsworth £1; Warwick Castle 85p; Bowood (picture gallery and gardens only), Knightshayes Court, Saltram, Cothele, Cliveden 80p; Haddon Hall 75p. Mentmore has contents which vie with any of these houses including, for starters, what are arguably two of the best dozen pieces of furniture ever made—the Augustus Rex desk and the Marie de Medici cabinet.

These figures take no account of additional income which could be generated from leasing parts of the house not on show, notably the substantial service court, for office or domestic use. One wonders, too, if the Government's fears of running costs have been coloured by its own highly uncommercial manner of running stately homes — Ham and Osterley still charge 20p and so far neither has a shop, and no overall figures on profit and loss have ever been drawn up.

Marcus Binney,
3, Park Square West, N.W.1.

The parcels service

From The Executive Director, Mail Users' Association

Sir,—The news (February 17) that the Union of Post Office Workers had rejected some proposals for improving the Post Office's parcels service was disappointing. Neither monopoly nor subsidy will provide any answer to the problems since they will not encourage efficiency or motivate management.

The first step in restructuring the parcels service is to determine what the service actually costs, a very different matter from the costs which the Post Office chooses to allocate to it. It should be realised that the cost of the "social service element" is really small compared to other costs (on Post Office book figures it works out at about £6m.), and this rural parcels traffic is potentially profitable. As the Post Office has a statutory duty to serve rural areas for letters it incurs costs in these areas whether it carries parcels or not, any parcels business will add a negligible extra cost while making a useful contribution to overheads.

It should be appreciated that most firms actually want to use the Post Office's parcels service; they only take their business away with the greatest reluctance. Like the workforce the users also have been in need of reassurances about the future of the service; however, the postal business has made little effort to consult them or their representatives.

The proposed scheme is an improvement on the previous service; it could have been better if the postal business had actually started by asking its users about the service they actually require. Until this is done, and combined with logical thinking on the costing of the service, and determined marketing, there can be little hope for the service. The uncertainties will remain for customer and employees alike, to the ultimate detriment of both.

M. E. Corby,
29, Sackville Street,
Piccadilly, W.1.

Potential real hardship

From Mr. W. Kaye.

Sir,—Through your columns I would like to ask those so-called Socialists favouring a return to free collective bargaining, how they are able to reconcile such a view with their socialist ideals. My own opinion is that considering the undesirable side effects, socialism can only be justified when there is evidence of the stronger caring for the weaker. The apparent hypocrisy of some of our "Animal Farm" trades unionists is to say the least nauseous. What is more worrying is that if their advocated policy is followed by all, we could see unemployment on a vast scale and real hardship for more pensioners.

W. E. Kaye.
32, Primrose Chase Goostrey, Cheshire.

All creatures great & small

From Mr. B. Monk.

Sir,—I would like to raise two points from the letter by Mr. E. G. Wood (February 12). If a large company felt strongly enough, as he put it, to split up into separate enterprises as a result of Bullock, then presumably the feeling of antipathy would not evaporate overnight. There would then be a number of companies with under 2,000 employees who would as a matter of policy resist growth beyond that figure or confine further expansion via the tortuous route of further fragmentation. The implications are obvious and the thesis is I think another graphic example of not following through the dynamics of the situation.

The second point concerns Mr. Wood's eulogy of the small unit. Here, my quarrel is with generalisation—"big is bad" is as myopic as "big is beautiful"—the truth is that our country needs both large and small scale organisations. Mr. Wood's argument is akin to the medic (fictitious) who says: "As the small glands of a man give on balance less trouble than the liver we will consider surgery to split the liver into smaller units." The larger companies of this nation need the larger resources to enable large scale investment to take place, for example, ICI building substantial and expensive plant to cater for markets seven to 20 years hence.

Would encouraging those that felt strongly enough to fragment speed us towards this illusive corner we are supposed to be turning?

B. D. Monk (Senior Lecturer),
Business Studies Department,
College of Further Education,
Lichfield Road,
Sutton Coldfield.

Equipment for NATO

From Mr. G. Pattie, MP

Sir,—Major-General Mans in his letter (February 17) makes the unexceptional claim that governments ought "to agree to choose equipment, irrespective of its country of origin, that will best serve the sailor, soldier or airman who has to use it." Who is to decide which items of equipment are "best?" What happens when one weapon system performs better on certain criteria but less well on others than its competitors? The General will probably be aware of the Rapier v Roland contest in the United States when the British Rapier performed best on eight criteria and the Franco-German Roland performed best on two criteria. Roland was then chosen on the stated grounds that Roland's two preferred criteria were in fact the key criteria for the project as a whole. While this is possible, it is difficult to escape the conclusion that the purchase decision was made beforehand by the U.S. on political grounds and the tests were used subsequently to support the decision. I add this example to the General's justified mention of the "not invented here" syndrome.

Standardisation should be more to do with inter-operability than with complete identity of equipment from a common source. How nice it would be if British army units could procure German ammunition when stocks run low and vice versa rather than the present situation in which several armies operate within an alliance as totally self contained entities unable in many cases even to communicate with each other because their radio equipment is not compatible. The problem is vast and highly complicated and ranges from the possibility of refuelling all NATO aircraft types on any central front air field at one end of the scale to commonality of stores at the other. Fortunately, NATO planners have the problem well in hand but here again, they hit another problem.

Weapons systems take about ten years to develop and their in-service life could be up to 20 years. This makes it unlikely from past history that any one NATO country will be in phase with other allies as regards replacement programmes. Tanks are a good topical example. Germany and the U.S. need a new tank now but Britain does not need one until the mid-1980s. Does Britain try and persuade the "big two" to wait until 1985 and then we can all have the same new tank or will the "big two" encourage Britain not to bother with developing a new Chieftain and simply purchase their tank?

General Mans writes about pressure on the Government not to buy the American E3A aircraft in favour of the British Nimrod project to meet our airborne early warning requirements. The point about AEW aircraft, of whatever type, is that they collect information which they then pass on to the ground, to ships, and to other aircraft. It can matter little to the recipients whether the aircraft from which the information comes are all the same, provided that the information is passed on in a common format. There are indeed operational arguments in favour of two interoperable systems because that denies to the Warsaw Pact the opportunity of standardising the electronic counter measures or jamming. Two systems means two forms of ECM suppression tactics by an enemy. The United States itself is a good proof of the validity of this point because the U.S. Air Force and the U.S. Navy have different systems and no one has ever suggested that they cannot operate as a combined force.

Although Britain cannot now supply all the requirements of her armed services from within this country, it so happens that we have developed (over 13 years) an airborne early warning system of our own which the RAF confirms exactly meets the requirements of the U.K. Air Defence Region and which is after all a NATO area. This Nimrod system which will be fitted into existing aircraft, will cost half that of the Boeing system, will provide 7,500 jobs for five years as compared to 450 jobs on the Boeing system, will maintain our design capability in a very advanced technological area, and will do the job it was designed to do.

Turning European countries into industrial satellites of the U.S. will not strengthen the alliance. I happen to believe that we could do a lot better in this country if we recaptured some belief in our own capabilities and stopped automatically assuming that the other guy is always best.

Geoffrey Pattie, MP.
(Secretary, Conservative Defence Committee),
House of Commons, S.W.1.

Engineers and unions

From the General Secretary, National and Local Government Officers Association.

Sir,—The attack on TUC-affiliated unions by John Sampson of U.K. Association of Professional Engineers (February 17) following the pronouncement by the Institution of Civil Engineers that it was in favour of professional engineers joining a trade union to improve their pay and status, was both predictable and calculated to cause confusion.

My union, NALGO (National and Local Government Officers Association) has long recruited engineers working in the public services and has a successful record of representing specialised and other groups of staff at all levels. On the other hand, UKAPE is not even recognised for negotiating purposes by the National Joint Council for Local Authorities. Professional engineers should be aware of these vital differences.

Geoffrey Drain,
1, Mabledon Place, W.C.1.

To-day's Events

GENERAL

Labour Party national executive meets.

TUC General Council meets.

Mr. Anthony Wedgwood Benn, Energy Secretary, speaks at Council of British Manufacturers of Petroleum Equipment lunch, Cafe Royal, W1.

British Rail begins formal discussions with unions on extending worker-participation.

Mr. Clark Clifford, U.S. presidential envoy, arrives in Nicosia for talks with Turkish and Greek community leaders.

Mrs. Barbara Castle, MP, addresses Westminster by-election meeting, Pimlico Comprehensive School, Lupus Street, SW1, 8 p.m.

Financial Times two-day conference, The Future for Euro-markets, opens, Royal Lancaster Hotel, W.2.

CBI Companies Committee meets.

Guyana Republic Day.

PARLIAMENTARY BUSINESS

House of Commons: Liberal Party motion on reform of government. Debate on security in Northern Ireland.

House of Lords: Lord Carr of Hadley initiates debate on Bullock Report.

Select Committee: Expenditure (Social Services and Employment sub-committee). Subject: Job Creation Programme. Witnesses: Confederation of British Industry; Institute of Careers Officers (Room 15, 4.30 p.m.).

OFFICIAL STATISTICS

New vehicle registrations (January).

COMPANY RESULTS

BOC International (first quarter). Johnson, Matthey and Co. (third quarter).

COMPANY MEETINGS

Bakers Household Stores, Leeds, 12. Charterhouse Group, Great Eastern Hotel, EC, 12. English China Clays, Hyde Park Hotel, SW, 12.30. Evans (Frederick W.), Edgbaston, Birmingham, 12.15. Ley's Foundries and Engineering, Derby, 12. McCorquodale, Basingstoke, 12.45. Vavasseur (J. H.), Winchester House, EC, 12. Vectis Stone, Isle of Wight, 12.15.

COMPANY NEWS + COMMENT

Vosper Thornycroft climbs to £5.5m.

PRE-TAX PROFITS of shipbuilders and engineers, Vosper Thornycroft finished the year to October 31, 1976, up from £4.03m. to £5.51m. after rising from £1.84m. to £2.34m. in the first half. Group turnover for the year expanded from £82.05m. to £97.75m.

Earnings are shown at 47.38p against 33.89p per 25p share and as promised the final dividend is the maximum permitted 2.071123p net for a 4.133823p (3.73784p) total.

Net tangible assets stood at 353p (214p) at the year end.

	1975-76 £	1974-75 £
Group turnover	97,745,241	82,050,393
Trading profit	6,774,778	4,564,380
Depreciation	776,830	317,342
Interest payable	325,419	257,263
From associate	97,286	27,641
Profit before tax	5,514,612	4,033,439
Deferred tax	2,260,000	2,050,000
Other tax	289,639	822
Minorities	2,173	—
Exceptional revaluation	373,771	145,059
Attributable	3,084,892	2,130,482
Dividends	249,183	229,358
Retained	2,845,339	1,901,954

● comment

Vosper is 36 per cent. ahead pre-tax. The repairs side dipped lower, but a turnround out of the red in Singapore might have been worth as much as £0.5m., and the main naval building operations had a very solid year. This year the outlook is less hopeful. Uncompleted orders currently stand at some £190m., but Vosper is talking about patchiness in certain areas and the possibility of maintained profits in 1976-77. As for nationalisation, compensation terms of 72p a share now compare with net worth of 353p and net cash flow last year of 60p. The shares edged up 4p to 90p yesterday, where the p/e is 1.8.

INDEX TO COMPANY HIGHLIGHTS

pending letting, although it has been valued higher than this.

	1976 £000	1975 £000
Gross income	1,221	1,124
Pre-tax profit	997	874
Taxation	462	458
Leaving	535	435
From cap reserve	34	44

Near £1m. from City Offices

FURTHER progress is shown by investors and property developers City Offices Company with pre-tax profit expanding £123,839 to £997,353 in 1976. Gross income was up at £1.22m. against £1.12m.

At halfway, when profit was ahead at £419,883 (£368,458) and income at £0.54m. (£0.52m.), the directors forecast higher gross revenue in the second six months.

Stated earnings per 25p share improved to 2.22p (1.88p) and a second interim net dividend of 0.84p lifts the total to a maximum permitted 1.54p (1.4p).

A professional revaluation of the properties of the company and its subsidiaries at the year end increased the net value of freeholds by £0.56m. and leaseholds by £0.3m. The directors say the new values will be incorporated in the accounts. The recently completed long leasehold property is being retained at cost,

£1.57m. by Allied Insulators

AFTER being up from £0.43m. to £0.72m. at halfway, taxable profit of Allied Insulators increased from £1.06m. to a record £1.57m. during 1976, in spite of below-capacity activity resulting in extensive short-time working. Stated earnings per 25p share were 8.21p (5.69p).

The chairman, Mr. A. Lloyd, says that the order book at the end of 1976 did not augur well for prospects in 1977. However, the value of orders recently received has improved the position.

Although sales in January were only marginally ahead of last year commitments for the first half indicate prospects of much greater utilisation of capacity than achieved during the first quarter of 1976.

Given a sensible economic environment in which to operate, the prospects are encouraging, he adds.

As forecast dividend total is 3.5p net (1.85p) with a final of 2p—although profits and liquidity would permit payment of a dividend nearer the maximum allowable 4p, the directors want to conserve liquid resources to permit continuation of the diversification policy, and to provide adequate future working capital.

During 1977 the imposition of the payroll tax payments under the Guaranteed Employment Act and loss of the regional employment premium are additional burdens which will amount to over £200,000 per annum; also corporation tax of £514,000 is payable by October, 1977.

In spite of unprecedented levels of inflation in recent years strict financial control has enabled the company to achieve a dramatic improvement in financial strength. During the year the net current assets increased by over 25 per cent. and the net asset value now amounts to 54p per share.

	1976 £000	1975 £000
External sales	12,522	9,982
Trading profit	1,644	†1,213
Finance charges	75	130
Profit before tax	1,569	1,083
U.K. tax	794	538
Extraord. debits	—	42
Preference dividends	29,925	29,925
Ordinary dividends	318,000	166,500

† Revised giving rise to an additional profit of £94,000.

● comment

It is not widely appreciated that the 89 per cent. increase in Allied Insulators' net dividend, permitted under the Treasury's long term recovery rules, still leaves room for a 16 per cent. increase in the current year. The company decided against passing on the full permitted increase this time for reasons which, at first glance, appeared to suggest a liquidity squeeze. On the contrary, working capital requirements (after rising a fifth between 1974 and 1975) are now slightly lower. Profits have also strengthened: exports now account for 40 per cent. of group sales, which have improved trading margins from 12.3 to 13.4 per cent. The export drive has also lessened the group's vulnerability to the depressed high tension market in the U.K. and has managed to offset the fact that group output has been significantly below capacity. These factors provide strong support for the 45p share price where the p/e is 5.6 and the dividend yield 11.7 per cent.

BET GROUP PURCHASE

United Transport has bought the business and assets of the West German Schmidtz und Ludwig GmbH and Osborn International Corporation companies from the Sherwin-Williams Company of Cleveland, Ohio, U.S.

The purchase was made by Osborn GmbH, a newly formed subsidiary of Lydney Industrial Holdings, the parent for U.T.C. group industrial interests. These include the Dendix Brush Group, the Duramin freight container manufacturer and the Typrod rubber moulding company.

Annual sales by Osborn International are expected to approach those of the combined Dendix group and to exceed £2½m. per annum.

Record £1.14m. by Rotaflex

ALTHOUGH THE expected upturn within the European economy did not materialise and the low level of activity in the construction industry continued, Rotaflex (Great Britain) achieved record results in 1976 with external sales up by 56.8 per cent. from £8.78m. to £13.82m. and pre-tax profits ahead by 78.1 per cent. at £1.14m. compared with £0.64m. after £515,000, against £285,000, for the first half.

Full year earnings are shown to be up by 183.3 per cent. from 1.8p to 5.1p per 10p share and the dividend total is raised from 0.7881p to the maximum permitted 0.8669p net with a final payment of 0.444p.

Mr. Michael Frye, the chairman, says that export sales increased substantially and 65 per cent. of turnover now comes from overseas. Even in a depressed home market the company increased its sales and market share, he tells members.

Although external factors particularly inflation and currency fluctuations, are unlikely to improve substantially during the current year, the level of orders to date indicate that the company should show a further improvement in the results of 1977, he adds.

● comment

The promise of the first half figures of Rotaflex has been fulfilled in the full year. The improvement is 78 per cent. pre-tax and, following the acquisition of minorities, 184 per cent. at the earnings level. The reason is a thorough reorganisation over one and a half years, including distribution as well as manufacturing and accounting methods. Underlying volume rose by about 35 per cent. in 1976, making the question of whether further growth will come up against capacity problems. Some products have more scope for increased production than others but improved methods should allow a further volume rise of at least 15 per cent. this year. For the long term, Rotaflex could go much further in Europe and has yet to really market spotlights to the domestic consumer. Meanwhile, the shares, at 41p, have doubled since early 1976 but the p/e at 8 does not make them expensive in view of the prospects. The yield of only 3.3 per cent. is the obstacle.

Sir David Brown, chairman of Vosper Thornycroft.

Freddie Mansfield

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Allied Insulators	2.0	—	1.41	3.5	1.85
Anglo-Intnl. Trust	1.9	April 6	1.9	2.9	2.6
Aquis Securities	0.38	April 25	0.35	0.6	0.58
Arcolectric	0.22	April 1	0.22	0.41	0.41
Broadstone Trust	3.3	April 28	2.81	4.5	3.65
Charrngtns Ind. Hdgs. int.	1.0	April 13	1.0	—	2.86
City Offices	0.84	—	0.76	1.54	1.4
IMI†	1.6	April 7	1.45	2.95	2.68
'Investing in Success' 2nd int.	1.87	April 1	1.54	2.41	2.08
Rotaflex (Gt. Britain)	0.44	—	0.37	0.87	0.79
Ruo Estates Hldgs. int.	1.01	Mar. 25	1.01	—	4.22
Vosper Thornycroft	2.07	May 18	2.26	4.13	3.76
W. Coast & Texas Tst.	0.5	April 4	0.4	0.5	0.4

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

Britannia Trust launches new offshore fund

Britannia Trust Management announced yesterday the launch of a new offshore fund designed primarily for expatriates. The fund, which is denominated in dollars, is called the Britannia Universal Dollar Trust. Residents in the U.K. will also be able to invest in the fund through a "feeder" fund, a sterling denominated trust whose main investment will be a holding in BUDT purchased with a back-to-back loan.

The investment policy will be flexible with the managers free to invest all over the world. But since the fund is dollar-denominated, about half of the share portfolio will be invested in the U.S. The managers also expect to invest some money in the Far East where they find stock market levels attractive at the moment.

Unlike most other offshore funds, BUDT will be permitted to invest in both shares and commodities. The investment in commodities will be limited to 25 per cent. and conservatively managed. Commodities will not be purchased or sold unless there are sufficient cash reserves or stocks to meet commitments.

Apart from the normal direct purchase of shares, there are five other methods of taking an interest in the two funds: a monthly investment plan, share exchange and three insurance-related schemes. The insurance schemes can provide tax savings in other countries as well as in the U.K.

The minimum initial purchase will be 150 shares in the dollar fund at $5 per share or 250 shares in the sterling fund at £2 per share.

Aberdeen Press falls to £67,083

Profit of The Aberdeen University Press for 1976 fell from £111,013 to £67,083, subject to tax of £25,729 against £48,300.

Stated earnings per 25p share are down from 12.5p to 8.3p, and the gross dividend is 2.93p, absorbing £15,000 (£19,267).

The sum of £195,941 (£164,313) was carried forward, after prior years' adjustment of £10,146 net due to a change in the bases of stock valuation and an adjustment to investment grants in order to comply with the recently issued accounting standard.

Legal package launched by Shipton

Shipton Insurance Services, a member of the Bowring Group, has entered the legal expenses insurance market and launched three special packages to meet the needs of certain sections of the public—professional persons, drivers and sales representatives. The aim of these contracts is to provide people with the ability to take legal action without having to worry about the high cost of going to law.

Each contract includes the cost of solicitors' fees, counsels' fees, court costs, witnesses expenses and fees and the other side's costs if awarded against the individual in a civil action. But the individual packages contain cover designed to meet the special circumstances pertaining to the group. For example the package for professional persons include expenses of claims arising from employment disputes and claims for compensation.

The package for drivers and motorists includes insurance cover not available with basic motor insurance polices, including payment of legal expenses incurred in pursuing the recovery of uninsured losses following motor accidents and the cost of pursuing claims for compensation for personal injury received in road accidents.

The contracts are underwritten by DAS Legal Expenses Insurance Company, the only British company specialising in this class of business.

SALVADOR RAILWAY

Although Salvador Railway Company has nearly completed paying off the 5 per cent. prior lien Debenture stocks the company cannot tell holders of 3 per cent. income loan stock or consolidated stock the amount available for distribution until the company goes into liquidation.

An EGM is to be held on March 15 to approve the voluntary winding up of the company.

Atlantic Assets growth

Reporting a 69 per cent. increase in the net asset value per 25p share in the year to December 1976, Mr. J. V. Sheffield, the chairman of Atlantic Assets Trust says that with an investment policy totally orientated towards capital growth, income results are relatively unimportant.

Total income for the six months to end 1976 was £503,000 (£689,000) and there was a net loss available to Ordinary holders of £15,000 (£143,000 revenue).

The income available for the half-year should not be taken as an indication of the results for the year to June 30, 1977, he says.

It is policy that in any year there should be net income available for the Ordinary holder and it is the intention of the directors to recommend an unchanged dividend for the year of 0.40p net per share.

The company purchased Bates Oil Corporation in October 1974, and mainly due to increases in oil prices and the fall in the value of sterling, it has proved to be a profitable investment. The disposal of this subsidiary to Oil Exploration (Holdings) for shares and a loan note, has given Atlantic a substantial quoted interest in Oil Exploration—an interesting independent British company involved in the development of North Sea Oil and Gas.

Another structural change in the company's investments was the consolidation of Woodford Investments as a subsidiary. Though this Canadian investment company Atlantic holds major investments in Lornex Mining, Crows Nest Industries and Shared Medical Systems.

During September Haw Par Brothers International had its quotation restored on the Singapore Stock Exchange and following this Atlantic has sold its entire holding in the company.

As a result of changes in the last six months a move towards a greater degree of diversification and simplification has been achieved and accounts for the year will reflect this. The Board is pleased to see the commitment to long-term capital growth reflected in the results of the last twelve months and remains confident of the future.

Total assets at the end of December stood at £32.68m. (£23.5m.) and net assets available for Ordinary holders after deducting prior charges at par were £25.18m. (£14.97m.).

£1.5m. so far at Charringtons

FOR THE nine months ended December, 1976 the pre-tax profit of Charringtons Industrial Holdings was little changed at £1.5m. against £1.48m. Mr. Rowland C. Hall, chairman, says that preliminary figures for January were encouraging and forecasts for February gives some cause for optimism, but an improvement on last year's profit will depend on the final weeks of the financial year. Profit for last year was £3.34m.

Mr Hall adds that the long hot summer adversely affected demand for fuel, but there are other more permanent causes such as competition of other fuels, price resistance and the Government's conservation of energy campaign. He says that, partially because of sterling devaluation, current prices remain firm, but that this gives rise to increased costs, particularly in the shipment to the U.K.

The company, he adds, has reduced its borrowings, during the period as a result of financial controls and the continuing sales of surplus properties but benefits were negated largely by the rise in interest rates which, he says, are now falling.

	Nine months 1976 £000	1975 £000
Sales	113,777	101,369
Interest	1,108	1,130
Pre-tax profit	1,499	†1,478
Tax	779	789
Net profit	720	702
Dividends	378	378
Retained	342	331

† Includes £53,000 from discontinued activities.

An interim dividend of 1p net per 25p share is maintained. Last year's total was 2.86p.

Charringtons principal activities are fuel distribution, builders merchanting, vehicle distribution and vehicle body building.

● comment

Thanks to its diversification Charringtons has just managed to increase its profits despite a 37 per cent. drop in the contribution from solid fuel, and a per cent. setback from fuel. Vehicle distribution also had a poor nine months, in part caused by consumer resistance to price increases (reflecting the drop in sterling) on its Audi and VW franchises. However the builders merchanting, transport and sheep farming divisions have registered significant increases. Merchanting has done surprisingly well, benefiting from a build up of trade in five warehouses opened prior to the beginning of the year, and the resilience of the small builder. Meanwhile sheep farming made a considerable recovery due to the higher selling price of wool, which was about 11 a kilo this year against 51p the year before. The question mark hangs over the weather in the final quarter. A cold snap in January has made all the difference to solid fuel sales, but the milder weather since is not encouraging. However, the chances are that Charringtons will at least hold its profits and the yield of 13 per cent. at 38½p may have found its ceiling for the present.

ISSUE NEWS

Yearlings at 11⅞%

For the first time in a year a local authority has come up with a five year issue instead of the usual yearling bonds. Through Butler Till the City of Coventry has raised £1m. by the issue of 13¼ per cent. bonds due February 17, 1982, at par. The last five year issue was by the City of Newcastle of £1½m. at 12¾ per cent.

The terms of Coventry's issue are pitched along the lines of the Corporation of London offer to the public this week in its £25m. issue of 13¼ per cent. stock carrying a gross redemption yield of 13.58 per cent.

The yearling bonds this week are issued with a coupon of 11⅞ per cent., a drop of a quarter of a point against last week. The bonds are issued at par and due on March 1, 1978.

The issues are:—Bracknell District Council (£½m.), Monklands District Council (£½m.), City of Dundee District Council (£½m.), Fife Regional Council (£½m.), City of Leeds (£2m.), Bedfordshire County Council (£½m.), London Borough of Croydon (£1m.), Erewash Borough Council (£½m.), Havant Borough Council (£½m.), South Derbyshire District Council (£½m.), West Yorkshire Passenger Transport Executive (£1m.), City of Winchester (£½m.), City of Kingston-Upon-Hull (£1m.), London Borough of Lewisham (£1m.), Newark District Council (£½m.), Tameside Metropolitan Borough Council (£½m.), London Borough of Hammersmith (£½m.), Strathclyde Regional Council (£1m.), Surrey County Council (£1m.), West Yorkshire Metropolitan County Council (£½m.), Hertsmere District Council (£½m.), City of Norwich (£½m.), Gedling District Council (£½m.), South Bedfordshire District Council (£½m.), Wear Valley District Council (£½m.), Llanelli Borough Council (£350,000), Metropolitan Borough of Calderdale (£½m.), Crawley Borough Council (£½m.).

The Dover District Council has raised £½m. by the issue of a 12¾ per cent two year bond at par, due on February 21, 1979.

CLAIRMACE

The Board of Clairmace, a holding company, is proposing to increase its capital from £150,000 to £500,000 by the creation of 3½m. Ordinary 10p shares.

The directors have been considering an amalgamation with the High Income Trusts for the past 18 months, with the view to creating a substantial industrial grouping, which would in due course re-apply for a quotation. Clairmace's listing was cancelled last October.

The chairman, Mr. Oliver Jessel, states that he has every confidence that in the longer term a substantial industrial corporation will emerge.

SINGER INDEX

The Singer and Friedlander new issue index has considerably outperformed the FT All-Share index over the three quarters to December 31, 1976. Singer's index rose by 7.25 per cent. to 161.11 while the FT All-Share fell by 7.7 per cent. to 151.96 over the same period.

However the dearth of new issues has meant that the number of companies which qualify for inclusion in the index is at the lowest point it has ever been. the new issue index has strongly influenced by the performance from LASMO SCOT.

Eagle Star repurchases Preference

Eagle Star Insurance is proposing to repay the whole of its preference capital in what amounts to a tidying up operation by the group. The company has £2m. of preference stock in issue, but the majority of shareholders own a very small amount of stock. Of the 2,000 preference shareholders only 50 hold significant amounts with the rest owning on average 460 shares each, and the cost of servicing the shareholders has become prohibitive despite the low 4 per cent. coupon.

The terms of the repayment are 45p in cash for each Preference share and 50p for each Second Preference share. In the market the shares climbed 7p to 40p for the first and 12p to 45p for the second.

Apart from the cost of servicing the preference stockholders there is the added inconvenience for Eagle Star that it would have to gain approval from separate preference shareholders before it could issue a loan stock.

The Eagle Star Pension Fund holds 19 per cent. of the preference and 35 per cent. of the second.

Shareholders will also be entitled to receive the dividend which will have accrued on their holdings from January 1.

LEE VALLEY £2M. ISSUE

Underwriting has been completed for an offer for sale by tender of £2m. of Lee Valley Water Company 9 per cent. Redeemable Preference Stock. Brokers to the issue are Seymour Pierce and Co., and full particulars of the issue will be published tomorrow.

SAINT PIRAN

Saint Piran, a holding company with interests in tin mining and property development is proposing to make a scrip issue of 25p shares on the basis of one for one. The Board intends to recommend a final dividend for the year to March 31, 1977 of not less than 5 per cent. on the increased capital making the equivalent of 12½ per cent. (per cent.). Treasury consent has been obtained.

CAMPARI SCRIP

Campari is proposing a scrip issue to its shareholders which will give the company trustee status.

The company intends to issue new 10p shares in the proportion of one-for-one by the capitalisation of £618,722 of share premium account and reserves. Each two 10p shares will then be consolidated into Ordinary shares of 20p each. The authorised capital will have to be increased from £1m. to £1½m.

[I]MI soars to £30m. with second half jump

[S]HARP second-half advance [in] taxable profit by 84 per cent. [to a] record £30.08m. for Imperial [Metal] Industries, an ICI sub[sidiar]y, in 1976. At the interim [stage] profit was up from a de[press]ed £5.3m. to £10.2m.

[The] improvement was due [partl]y to the more efficient use [of re]sources, better trading con[ditions] experienced by overseas [compa]nies and higher margins [achiev]ed by U.K. companies in [home] and export markets, the [direct]ors report.

[Stat]ed earnings per 25p share [are s]hown to be higher at 8.6p [(4.5p)] before extraordinary [items] and 9.8p (4.5p) after these [items] amounting to £2.43m. [...0).]

[The f]inal net dividend up from [...] to 1.599375p raises the total [from] 2.68125p to 2.949375p, [cost]ing £6.15m. (£4.35m.) on [capital] increased by a rights issue.

[Adj]ustment of the results for [inflati]on based on the Current Accounting proposals would [cut] profit to about £6m. and [earnin]gs virtually to nil. How[ever] the Board is of the opinion [£...]0m. would be available for [distrib]ution from holding gains [...] during the year.

[Turn]over expanded by 21 per [cent] from £332.05m. to £404.05m. [and s]ales volume improved by [...]5 per cent. from the very [low le]vel of 1975, the directors [say]. This improvement was [concen]trated in the second half.

[Over]seas sales amounted to [...], representing 36.5 per cent. [of tota]l sales, and included £73m. [dire]ct exports from the U.K.

[Capi]tal spending during the [year ro]se £1.2m. to £11.6m. In 1977 it is planned to sanction about £25m. and to spend £17.5m., of which £14.5m. will be in the U.K.

Group profit includes £1.2m. (£1.6m.) in respect of the change in value of the net current assets of overseas subsidiaries arising from changes in exchange rates. Of this amount, £0.4m. (£0.6m.) is applicable to minorities.

Provision of £1.8m. (£0.9m.) has been made for the bonus payable to employees participating in the IMI profit-sharing scheme. This is equivalent to a bonus rate of 2.9p (1.5p) per £ of qualifying remuneration.

The tax charge of £16.66m. (£8.43m.) has been reduced by £0.4m. (£0.4m.) for the proportion of investment grants credited to profits.

	1976 £000	1975 £000
External sales	404,045	332,045
Share associates	4,290	2,400
Depreciation	9,408	8,414
Pre-tax profit	30,075	16,387
Taxation	13,658	8,427
Net profit	16,417	7,960
Minorities	1,020	255
Net gain on stocks	1,742	60
Extraord. credits	2,423	—
Attributable	19,557	7,795
Dividends	6,146	4,346
Retained	13,411	3,432

The extraordinary credits consist chiefly of exchange rate gains on fixed assets of overseas subsidiaries and the investments in overseas associates, less provisions for pensions previously unfunded, provisions for rationalisation of production facilities and extraordinary legal costs and indemnities.

See Lex

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TO-DAY

Interims—Challenge Corporation, Galmore Investments, States Property Investment, Textured Jersey, Town and City Properties.

Finals—Allseas Shipping, C. H. Bailey, Cillett Bros. Discount, Westwood Dawes.

FUTURE DATES

Interims—

Cablefurm	Mar. 2
Campari	Feb. 26
Diploma Investments	Mar. 1
Esa Holdings	Feb. 25
Fairview Estates	Mar. 2
United Real Property Trust	Mar. 2

Finals—

Bibby (J.)	Mar. 15
Family Investment Trust	Mar. 1
Prudential Assurance	Mar. 30
Ventona	Mar. 3

ARC ahead to £8m. midway

PRE-TAX profit of Amey Roadstone Corporation, a subsidiary of Consolidated Gold Fields, rose sharply from £3.42m. to £8.07m. in the six months to end December, 1976.

According to the directors, the outlook for the second half will remain dominated by the Government expenditure programme. Current indications are that this is likely to contract further before any revival of demand occurs.

Despite this, however, it is anticipated that the results for the year will show an improvement compared with the previous 12 months—on an historic cost basis.

A major part of the first half increase derived from construction and general haulage operations. Profit was further enhanced by profitable disposal of ships to Comben Longstaff. Also, the group's expansion into overseas markets played a significant part in the improved performance.

Results of the aggregate operations show only a small increase over the previous year, less than the current rate of inflation. In the light of the continuing reduction in demand for the company's products following government cut-backs in public expenditure, this result must be regarded as creditable, state the directors.

	Half-year 1976 £000	1975 £000
Turnover	73,920	72,343
Trading margin	12,354	10,190
Deprec., depletion	3,454	3,676
Operating surplus	8,900	6,514
Interest	828	1,098
Pre-tax profit	8,072	5,416
Tax	4,393	3,022

Progress for Anglo-Intl. Trust

Earnings for 1976 of Anglo-International Investment Trust advanced from £233,964 to £275,385 before tax of £104,139 against £90,422 and a transfer from contingency reserve of £2,754 compared with £17,458.

The final dividend is 1.9p net per 25p share lifting the total from 2.6p to 2.9p costing £174,000 (£156,000).

Net assets per 25p asset share, including the full dollar premium stood at 176.55p (160.25p) at the year end.

John Bright's major investment

The John Bright Group is making a £1.1m. investment in its industrial textiles division, following the spending of a similar sum last year in designing and building a second fabric treatment machine, which is now in full commercial production.

The current project will provide a new weaving shed together with new looms at Fieldhouse Mills, Rochdale. This will help to meet the growing demand for high technology fabrics which are required by the rubber industry for the reinforcement of conveyor belting and similar products.

The new facility is expected to be in production early in 1978.

Good start for S&W Berisford

DESPITE THE uncertainties caused by the country's economic problems the directors of S. and W. Berisford believe the company will be able to continue expansion of both turnover and profit in the current financial year, Mr. N. H. Castle, the chairman, told shareholders at the AGM.

Trading in the first four months showed a considerable improvement, due to better performance all round by the trading companies together with contributions from the two companies acquired in the second half of 1975-76, he stated.

As reported earlier, for the year ended September 30, 1976, pre-tax profit advanced £3.94m. to £13.58m. on sales up £169.66m. to £768.4m. The net dividend was lifted to 6.5p.

A major contributing factor in the increased turnover in the current year has been the enormous price rises that have occurred throughout the company Mr. Castle said. The two acquisitions, Edward Haigh (Wool) and Norton Mills (Ellsand) have both produced turnover and profits ahead of expectations.

The effect of volume reduction in sales brought about by high prices upon the group has been reduced by achieving a greater penetration in most areas of trading, he said.

The company is concerned in sugar importing and merchanting, commodity broking, and the manufacture and distribution of packaged foods, wines and spirits.

Cominco profits hit by rising costs

BY PAUL CHEESERIGHT

THE DEMAND for lead and zinc will increase this year as inventories decline and prices strengthen, according to Mr. G. H. D. Hobbs, the president of the Canadian mining and processing group, Cominco.

But, speaking in Vancouver, he blunted his optimism with the comment: "The greatest challenge is to contain costs within the limits of possible price increases." This reflects directly on Cominco's experiences last year.

In 1976 net profits slumped 35 per cent. to $47.7m. (£27.2m.), or $2.66 (£1.51) a share, from $73.6m., or $4.34 a share, in 1975. Total revenue came to $731.8m. compared with $715.6m. the previous year.

Metal prices

In an accompanying statement, Cominco complains, "In spite of improved volumes of sales for all major products, earnings were affected by lower prices for most metals and fertilisers, coupled with continued escalation in wages and other operating costs."

Indeed, our Toronto correspondent reports that had it not been for a healthy contribution from Vestgron Mines, the high grade lead-zinc producer from Greenland, Cominco earnings would have shown an even more drastic decline.

Vestgron had 1976 earnings of $15.6m (£8.89m.), against $15.8m. the year before. Cominco's holding in Vestgron is 63 per cent. Its holding in Pine Point Mines, which operates a lead-zinc mine in the North-west Territories is 69 per cent. But Pine Point's earnings dropped 45 per cent. on reduced sales and higher costs to $9.3m. (£5.3m.) from $16.9m. in 1975.

Clearly the current firmness of lead prices will benefit these mines. Cash lead closed yesterday at £399½ a tonne. Zinc is more problematic—it closed yesterday at £414½ a tonne.

Copper prices, on the other hand, have been sluggish and Mr. Hobbs does not see much improvement in demand until the second quarter. Even then, he thinks that a recovery to the price levels of late-1973 is unlikely in view of the heavy stocks available.

For all that prices last year were better than in 1975 and this helped the Noranda group's Brenda Mines to double profits. Net earnings in 1976 were $5.5m. (£3.1m.) against $2.6m. in 1975. Another helpful factor was the higher level of molybdenum prices.

But the Noranda group itself barely held its own in 1976. Group net profits at $46.7m. (£26.6m.) were down from the $50.5m earned in the year of 1975.

Elsewhere in the group, Kerr Addison net earnings dropped 24 per cent. last year to $6.8m. (£3.8m.), responding to the impact of low bullion prices on its Ontario gold mine and reduced investment income.

Kerr Addison owns Agnew Lake Mines which is bringing an Ontario uranium prospect to production. Agnew Lake has signed a conditional sales agreement to supply at an undisclosed price 1.75m. lbs. of uranium oxide to Swedish utilities between 1977 and 1981.

The agreement depends on the approval of the Canadian and Swedish Governments. In fact, the Canadian Government's insistence on the signing of nuclear safeguard agreements with countries buying Canadian uranium oxide does not appear to have jeopardised producers' selling contracts.

The president of Denison Mines, Mr. John Kostuik, has indicated to his shareholders that temporary measures to meet contractual sales will not be needed for March. Meanwhile, Denison has been, as Mr. Kostuik put it, "delivering uranium on schedule through temporary stockpile arrangements with customers."

ROUND-UP

While exploratory drilling at the Timmins nickel-copper prospect in Ontario continues, Dr. Norman Keevil, the president of Vancouver's Teck Corporation, says results to date "indicate a high probability that this deposit can be developed into a new mine." Teck is linked with Domik Exploration of Japan and Metallgesellschaft of West Germany in the venture.

* * *

In Western Australia, North West Mining announces a diamond drilling programme at Wendy Bore, just south of Teutonic Bore where Selection Trust and MIM have made a significant base-metal discovery. North West is joint venturing with Aquitaine (Australia) Minerals. The company has also received authority to prospect for uranium in the Georgetown area of Queensland with a major but unnamed Australian exploration company.

* * *

The Mexican silver and lead producer, Encantada, which is 40 per cent. owned by Lacana Mining of Toronto and 60 per cent. owned by Industrias Penoles, has acquired a four-year option to buy 42.4 per cent. of Asientos Mining which operates the Orito-Porvenir copper-silver mine in Mexico. Details were not disclosed. The sellers are a group of Mexican and U.S. investors.

* * *

Responding to the closure through a strike of the Emperor Mines Fijian gold operation at Vatukoula, the Fijian Government has appointed a committee to report on the possibility of running the mine at the smallest possible loss. Pay and working conditions at the mine will also come under the committee's scrutiny.

EZ HAS A GOOD HALF-YEAR

Despite the chairman's cautious comments at the Melbourne annual meeting in November, Australia's EZ Industries reports an unaudited net profit for the 28 weeks to January 12 of $6.98m. (£4.49m.) which compares with $2.65m. in the same period of the previous year. The interim dividend is raised to 4 cents (2.6p) from 2.5 cents.

EZ says that the higher profit reflects increased foreign demand for the company's products, benefits to revenue of Australia's devaluation in November and the recently improved prices for lead and silver. The shares were 230p yesterday.

[C]rest Nicholson sees upsurge

[Barring] anything like normal [trading] conditions at Crest [Nichols]on, there could be a [dramat]ic rise in the level of profit[s]. In the current year, the [chairm]an, Mr. David Donne, tells [shareholders] early trading indications [suggest] this is attainable.

[With a] strong liquid position, [togeth]er with confidence in the [future], [the group] gives a great chance to [expand] when the moment is right [both] by organic growth or [acquisit]ion, he adds.

[The a]im is to improve efficiency [and pro]fitability, build on existing [home] and export and overseas [market]s and keep an absolute [control] of working capital.

[As re]ported February 9, turn[over for] the year ended October [...] rose from £20.84m. to [...] and pre-tax profit in[creased] from £0.91m. to £1.22m. [Tax] amounted to £4.99m.

[An a]nalysis of turnover shows [...] (£16.46m.) came from [the U.K.], £1.19m. (£0.57m.) from [...] and the Middle East, [...] (£0.68m.) from North and [South A]merica, £4.88m. (£3.08m.) [from E]urope and £0.19m. (£49,000) [from th]e rest of the world. By [activity] profit was split as to 66.7 [per] cent. from property, [...] per cent. from trading [and ...]8 (1.4) per cent. from [...] and investment.

[Und]erstand the group had no [...] borrowings compared with [...] years ago.

[Turn]ing to property, Mr. [Donne] says that the outlook is [...] a volatile market. At [...] it is unlikely to have a [...] private housebuilding in excess of about 70 per [cent of] what is considered [...] and it could be much less. [The] chronic shortage of [mortgag]e money were to develop [it would] affect profitability but it [is not] at present any fundamen[tal ...].

[The] entry in trading has yet to [come] through in parts of the [group's] activities but the industrial [division]s are growing in turn[over and] profits and promise well. [Althou]gh the leisure interests [are c]entred around the build[ing of y]achts and the construction [of ...] courts and sports sur[faces, t]he activities now range [...]

[Y]acht building the company [entered] the current year with a [good] export order book and signs of a recovery in the U.K. market.

Other marine activities have started the new year well.

Meeting, Walton-on-Thames, March 17, noon.

Progress at Broadstone Trust

Pre-tax revenue of Broadstone Investment Trust for 1976 rose from £829,614 to £939,528, on gross revenue up from £1.11m. to £1.2m.

Stated earnings are up from 4.12p to 4.71p, and the dividend is stepped up from 3.65p to 4.5p with a final of 3.3p net per 20p share.

Expenses and interest took £365,356 (£281,099), and tax was £330,201 (£294,151).

Irish Sugar's record results

Turnover for the 17 months to September 30, 1976, of the state-sponsored Irish Sugar Company, reached £132m. or an annual rate of £93m. against a previous best of £52m. for the year to April 30, 1973.

Pre-tax profits rose from £0.95m. to £2.29m. and over £4m. was invested in capital works. Overseas trading broke all previous records in spite of depressed conditions and Mr. Denis Coakley, the chairman, says the most satisfactory trading left the company in a sound and stable position.

In his first report the chairman says the performance was the more encouraging because trading greatly expanded, especially on overseas markets; profits continued to increase; industrial harmony was maintained and total current and term borrowings on October 1, 1976, was less than two years earlier.

The increase in profit is satisfactory but allows no margin for complacency when profit is related to capital employed, he warns.

Capital expenditure in modernising sugar factories, 1972 to 1976 was £9m. The company has commenced a new £4.5m. expansion scheme, the prime aim of which is to further modernise the factories for greater efficiency and to cope with an increased throughput.

Of that new programme £0.8m. is currently being spent on the Tuam factory which last season processed the biggest tonnage of beet for many years.

These undertakings will leave the company in a strong position to meet competition from sugar producers within the Community or from substitutes for sugar—the latter a possibility which may present a challenge "but which certainly should not intimidate us."

'Investing in Success' ahead

Revenue after tax for the year to January 31, 1977, of "Investing in Success" Equities shows an advance from £125,038 to £151,133.

The dividend total is lifted from 2.08p to 2.405p net per 25p share with a second interim of 1.3855p. Dividends absorb £147,156 (£127,296).

Total assets stood at £12.02m. (£12.4m.) at the year end; assets per share at 155.65p (163.7p), and the contingent liabilities per share at 15.02p (26.83p).

St. Andrew Trust better

Net revenue improved from £419,533 to £461,002 for St. Andrew Trust in 1976. At halfway £223,694 against £222,729.

The net figure was steady at Stated earnings per 25p share were up at 3.8p (3.46p) and the final dividend of 2.4p (2.05p) lifts the total to 3.65p (3.3p).

Gross revenue was higher at £846,103 (£802,856) and the tax charge was £385,357 (£360,391). At the year end net asset value per share was 131.3p (122.3p).

Arcolectric

Manufacturers of electric switches and neon signal lamps, Arcolectric (Holdings) reports profits up from £112,448 to £199,460 for the year to October 31, 1976 subject to tax of £97,795 compared with £58,087.

By midway profits had risen from £103,902 to £127,028.

The dividend total is maintained at 0.40625p net with an unchanged final payment of 0.222p.

MAREEBA SEEKS STATE CASH

The Melbourne exploration company, Mareeba Mining, has called on the Australian Government to advance $1.7m. (£1.09m.) so that the Dianne copper-zinc prospect in Queensland may be developed. The state-owned Petroleum and Minerals Authority took a stake in Mareeba during 1974 when it was issued 3m. shares with a par value of 50 cents at 1 cent paid.

Mareeba is asking the Government to pay a further 34 cents a share and has told the Melbourne Stock Exchange that if the payment is not made within 14 days the shares will be forfeited and sold.

Mareeba's issued capital is 4m. shares of 50 cents each paid to 35 cents plus a further 1m. shares of 50 cents which are fully paid and the unlisted holding of the Petroleum and Minerals Authority.

Latterly Mareeba shares have been trading in Melbourne at about 15 cents.

Baring little changed

AFTER PROVISIONS for tax and for any diminution in the value of assets and transfers to reserves, profits of merchant bankers, Baring Bros and Company for 1976 came to £525,000 compared with £530,000.

Dividends amount to £511,875 against £385,875 leaving £13,125 (£144,125).

	1976 £000	1975 £000
Share capital	3,350,000	3,550,000
Reserve	12,000,000	12,000,000
P. and L. account	182,313	169,188
Deposits, etc.	132,056,684	124,362,491
Term deposits	100,331,828	90,216,157
Tax	269,470	145,754
Dividends	315,000	180,000
Acceptances	34,163,733	31,146,275
Cash, etc.	36,237,805	31,308,402
Bills receivable, etc.	14,371,675	10,777,354
Term deposits	54,705,600	49,147,734
Securities	9,605,059	4,206,877
Advances	67,830,754	67,041,722
Trade investments	7,086,162	6,615,214
Subsidiary cos.	4,434,318	4,245,494
Acceptances	34,163,733	31,146,275
Total assets	265,857,861	278,476,512

The ultimate holding company is The Baring Foundation.

Meeting, 88, Leadenhall Street, EC, on March 16 at noon.

Aquis makes £0.33m. and pays more

An advance in pre-tax profit from £253,501 to £334,920 is announced by the property investment company, Aquis Securities for the year 1976, after £96,681, compared with £61,377, at half-term.

The short leasehold properties in the U.K. were valued at year-end and accordingly no amortisation has been provided for. Had provision been made, pre-tax profit would have been reduced by £18,731 (£33,578).

Basic earnings per 5p share are 0.76p, against 0.66p. The net final dividend of 0.375p raises the total from 0.576p to 0.6p.

During the year the company purchased B.Frs.10.05bn. at a total cost of £145,807. This sum was utilised to repay certain foreign borrowings part of which was related to the acquisition of the group's overseas subsidiary.

Following the repayment of the relevant loan the cost of this investment has been established at £142,212, an increase of £68,030.

	1976 £	1975 £
Gross income*	1,368,863	1,250,362
Pre-tax profit	334,920	253,501
Taxation	174,185	133,255
Transfer	6,666	19,871
Extraord. debit	30,172	—

* Includes £137,000 (£68,000) sale of buildings and land. † To cover interest applicable to investment development.

Sidlaw Industries

In his annual statement, the chairman of Sidlaw Industries, Sir John Carmichael, tells members that the 52 weeks ended October 1, 1976, was a period of mixed fortunes for the group. Pre-tax profit increased by 116 per cent. to £1.15m. (as reported on January 22), but there is clearly some room for improvement in several areas, says Sir John.

Direct exports, wholly by the textiles division, increased by 50 per cent. to £3.59m., a trend which is expected to continue, Sir John says.

A divisional analysis of turnover and trading profit shows (£000s omitted), textiles £26,474 (£23,934), £1,167 (£923), hardware and packaging £5,966 (£6,182) and loss £47 (profit £263), and oil services and engineering £5,777 (£4,535) and £790 (£159).

A geographical analysis of turnover shows (£000s omitted) U.K. £34,449 (£32,077), North America £870 (£253), Europe £1,999 (£1,657), and other overseas territories £899 (£684).

There was a decrease in net current assets of £106,000 against an increase of £1.7m. with overdrafts increasing by £1.88m. (£1.69m. decrease).

Meeting, Meadow Place Buildings, Dundee, March 17 at noon.

42 companies wound up

Orders for the compulsory winding up of 42 companies have been made by Mr. Justice Oliver in the High Court. They were:

Ariel Scaffolding, M. Biben and Son, Residential and Industrial Holdings, Bayes Domestics, George Armstrong (Mayfair), BTP (Slough), Palmers Photography.

Streamead, Bucks Electrical Services, GGA, Dolyn Properties, Meadville, Briken Builders (Finchley), C. H. Muscutt (Developments).

Deluxe Music, Kenneth and Briso (Peckham), Lexecote Building Company, Sandkirk, Rougill (Coventry), Stryder, London and Metropolitan Investments, Chinaglia (U.K.), Ellie Lodi Conversions, D. O'Rourke (Smethwick), P. H. Newport and Co., Euston Office Supplies Company, Intergroup Graphics, Bill Grant Theatres.

Fenrick, M. Heneghan (Construction), Brooks Shipping Company, Byzell Bonding Company, Jamaica Squares, R. Hutcheson (International), The Hutcheson Group, The Motor Bar.

Clemenza Builders, Thayer Design Unit, Comoroy, Walstreet (Properties), Pile Construction (Southern), Interactive Developments.

An order for the compulsory winding up of Golden Corn Distribution Company, made on February 14, was withdrawn, and the petition was further adjourned for three weeks. Counsel said that the company had been struck off the register when the order was made.

A compulsory order made on February 7 against Katesley Property Company was rescinded and the petition adjourned until March 7.

$400m. asbestos plans suspended in Quebec

THE ASBESTOS industry in Quebec has postponed projects involving about $C400m. (£228m.) because of the recently-elected Parti Quebecois Government's stated intention of nationalising all or part of the industry, reports our Toronto correspondent.

For the time being the Rio Tinto-Zinc group's 82.8 per cent.-owned Brinco has shelved its plans to bring into production a new $C300m. mine in northwestern Quebec that would produce about 220,000 tons of asbestos fibre a year. Brinco has a 53 per cent. interest in Abitibi Asbestos Mining—which owns the property—and was to arrange the financing.

A $C77m. expansion programme planned by Johns-Manville at its huge asbestos complex in Quebec's eastern townships has also been deferred while Asbestos Corporation has put aside a $C30m. plan to start underground development at the Asbestos Hill open-cast mine.

Further decisions on these three projects, which were to have been started this year, will await the results of a Quebec Government feasibility study to determine what lack the latter intends to take to become financially involved in the industry.

The Natural Resources Minister, Mr. Yves Berube, said in a speech to the Quebec Metal Mining Association that the Government had three aims: to order producers to process a substantial proportion of their output within Quebec; to have adequate representation of the province's interests at every stage of the industry's activities; and to seek vertical integration of the industry to guarantee price stability for finished products.

In the hope of avoiding nationalisation of the industry, the Quebec Asbestos Mining Association, whose members are the five U.S.-owned or controlled producers in the province, has commissioned an independent study into the possibilities of greater processing within Quebec. At the moment about 94 per cent. of asbestos production is exported in raw form, mainly to the U.S.

[R]ECENT ISSUES

EQUITIES

Issue price p.	Amount paid up	Latest Renunc. date	1976/77 High	1976/77 Low	Stock	Closing price p.	+ or −	Div.	Times covered	Gross yield	P/E ratio
[illegible]	F.P.	—	9	6	Amalgamated Stores	6½	+¼	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	—	51½	48	Harrisons Malay. E. Hg.	49½	+½	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	—	465	462	Tuliver Warrants	468	+8	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	—	£26½	£26½	Trans Canada Pipelines	£26	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	—	£86⅞	£86	Unl Technologies US$5	£85¼	+¼	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1976/77 High	1976/77 Low	Stock	Closing price £	+ or −
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Adams Foods 13% Conv. 1981-85	105	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Agric. Mort. 15% Res. 1978	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Agric. Mort. 13½% Deb. 1980	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Agric. Mort. 15% Deb. 1983	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Agric. Mort. 16% Deb. 1979	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Agric. Mort. 14½% Deb. 1980	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Amalgamated Stores 15% Conv.	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Dunford & Elliott 10% Conv. Red. Pref.	190	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Fenner 11% Pref.	95	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	National Bank of Australasia	100	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Newman Inds. 10% Cnv. Uns. Ln.	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Mid Kent Water 9% Red. Pref. 1982	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Dudley Hartrige Wards 9% Red. Pf. 1981	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Williams & Glyn's 10% Nat Rtail. 1986	[illegible]	[illegible]
[illegible]	F.P.	[illegible]	[illegible]	[illegible]	Willis Faber 7% Cum. Pref.	77	[illegible]

"RIGHTS" OFFERS

Issue price p.	Amount paid up	Latest Renunc. date	1976/77 High	1976/77 Low	Stock	Closing price p.	+ or −
[illegible]	Nil	10/3	26/3	[illegible]	ANZ	35	[illegible]
[illegible]	[illegible]	3/12	47½	[illegible]	Broken Hill Props.	420	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Brownlea	16pm	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Greycoat	180pm	[illegible]
[illegible]	[illegible]	3/3	17/12	[illegible]	National Westminster	65pm	[illegible]
[illegible]	[illegible]	11/2	18/3	[illegible]	Websters Publications	16	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Works Assoc.	12	[illegible]
[illegible]	[illegible]	10/6	[illegible]	[illegible]	Western Mining	128	[illegible]

Renunciation date usually last day for dealing free of stamp duty. a Placing. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1977-78. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Issued to holders of Ordinary shares as a "rights." ** Issued by way of capitalisation. ¶ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ||| Introduction. □ Issued to former Preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ✱ With warrants. ⊕ After suspension. ‡D Kuwait Dinars.

BIDS AND DEALS

Lonrho to redeem Dunford Convertible

Lonrho is now proposing to redeem Dunford and Elliott's Convertible Debenture stock through a scheme as a result of which stockholders will receive 80p cash and a half-year's interest of 4.75p per stock unit due on March 25, 1977, which would otherwise have accrued to Lonrho.

It was previously intended that Lonrho, which is making an agreed bid for Dunford, would also make an offer of 80p for the stock.

Full details of the scheme will be included in the main offer document to be posted to-day.

BROWN MUFF CONSIDERS HOUSE OF FRASER OFFER

House of Fraser's 160p per share cash offer for the 27.4 per cent. of Brown Muff that it does not already own is being considered by the BM Board, advised by merchant bankers Hambros Bank. Shareholders are being advised not to dispose of their shares.

Brown Muff shares moved exactly into line with the bid yesterday at 160p, up 5p on the day. House of Fraser ended 2p firmer at 77p.

SHARE STAKES

James Finlay Corporation has bought a further 10,000 Provincial Cities Trust Ordinary shares. Total interest is 1,374,500 shares (28.34 per cent.).

Guardian Royal Exchange Assurance Group has informed Trade Indemnity Company that 24,000 Trade Indemnity Ordinary shares have been bought by Metropolitan Trust Company—a subsidiary of Guardian. Total held by Guardian group is 601,000 shares (16.69 per cent.).

James Finlay and Co. has bought 66,667 Barnora Tea Holdings Ordinary shares and 11,900 Preference shares. Total interest is 211,108 Ordinary and 28,448 Preference shares.

The ICFC Group has bought a further 2,500 Estates Duties Investment Trust shares. Total interest is 6,116,160 shares (41.774 per cent.).

British Printing Corporation—Dawn Estates, a member of the John James Group, holds an interest exceeding 10 per cent. of the nominal value of BPC 4.2 per cent. cumulative Preference shares. They now hold 37,710 shares as against the previous holding of 33,000 shares.

George Spencer—Nottingham Manufacturing Company has become interested in 142,500 Ordinary shares. This represents about 3.2 per cent. of the Ordinary capital.

METAL BOX EXPANDS IN ITALY

Metal Box Overseas, a subsidiary of Metal Box, has bought for £400,000 a 40 per cent. stake in a new Italian company, called Brebbia Metal Box, in association with Brebbia Vittorio e Figli.

The new company will absorb the assets of Brebbia, a private family company which holds 60 per cent. of the tinplate aerosol market in Italy.

HOLLAS-BONAS WEBB

Hollas Group announces that acceptances received in respect of the offer for Bonas Webb Ordinary and Preference shares amount to 4,010,988 Ordinary shares (92.4 per cent.) and 23,633 Preference shares (68.22 per cent.). The offers are now unconditional and remain open until March 7.

NO PROBE

The Secretary of State for Prices and Consumer Protection, has decided not to refer the proposed merger between Linfood Holdings and Gateway Securities to the Monopolies Commission.

ASSOCIATES DEALS

Cazenove and Co. on February 21 purchased 5,000 Ultra Electronics at 146p on behalf of Hambros, as an associate of Dowty Group.

Capel-Cure Myers sold 7,500 Dunford and Elliott at 67p on behalf of a discretionary investment client.

Paul E. Schweder, Miller and Co. bought 25,000 Williams Hudson Group at 24½p on behalf of Argo Group, S.A.

Capel-Cure Myers on February 11, discretionary clients of Keyser Ullman purchased 300,000 C. H. Industrials Ordinary shares (11.6 per cent. of the equity) at 22½p. On February 18 12,500 of these shares were sold at 26p. This announcement was made at the request of the Takeover Panel.

Phillips and Drew on February 21 bought 2,500 White Child and Beney for 65½p for an associate of the company.

McAnally, Montgomery and Co purchased 15,000 Beaver Group Ordinary shares at 44½p on behalf of Van Cutsem and associates, who are acting as associates of C. H. Industrials.

HOME CONTRACTS

Marconi wins Navy orders

MARCONI COMMUNICATION SYSTEMS and Marconi Space and Defence Systems have received contracts totalling about £6m. from the Ministry of Defence to supply ten Marconi ICS3 integrated communication systems for ships of the Royal Navy.

★

HONEYWELL has won orders for precision switches to be used on the new Tornado multi-role combat aircraft from BAC and its subcontractors. They cover the initial production run of 40 aircraft, but may be increased to total planned production of 809 aircraft.

★

ULTRA ELECTRONICS GROUP has won a £500,000 contract for electronic engine control systems for Rolls-Royce gas-turbine engines.

★

BESBLOCK, Telford, Shropshire, has been awarded contracts worth almost £200,000 to supply acoustic and thermal insulation blocks for the construction of over 700 dwellings at Telford Development Corporation's Malinslee estate, Redditch Development Corporation's new Churchill housing estate, the Pavilion Housing Society of Walsall's Hill Hook Road development, Sutton Coldfield, and Malvern Hills District Council's Langlands housing project in Malvern.

★

LLEWELLYN CONSTRUCTION, Milton Keynes, has been awarded a contract worth more than £500,000 from the London Midland region of British Rail to build a power signalbox building at West Hampstead. BR state that this is the first major contract placed as part of its London to Bedford line electrification and modernisation scheme.

★

GEC TELECOMMUNICATIONS has received a further order from British Rail for 30-channel pulse-code modulation (PCM) equipment. The latest system will expand the capacity of an existing BR communications link between Euston and St. Pancras.

★

NEC GAS ANALYTIC SERVICE INTERNATIONAL, of Kilwinning, Ayrshire, has won two further contracts for offshore work in the North Sea. It will monitor two holes drilling simultaneously on Burmah Oil Development's Thistle A platform, initially over a 12-month period, and will also carry out mud-logging activities (analysis of drilling fluids) in Mobil North Sea's 9/13 block. The company is a subsidiary of Nobel's Explosives Company, part of the ICI Group.

ICL has received an order worth more than £750,000 from the United Friendly Insurance Company for a 2960 computer system at its head office in Southwark, SE1. United Friendly at present operates a system 4-52 installed in 1974, and a system 4-50 which was installed in 1969.

★

BALFOUR BEATTY CONSTRUCTION (SCOTLAND), part of the Balfour Beatty Group of BICC, has been awarded a contract by the Greater Glasgow Passenger Transport Executive for work worth about £700,000 in connection with modernisation of the Glasgow Underground. This involves construction of a marshalling yard, a test track, an open approach ramp connecting to the Underground system, and modernisation of the existing Broomloan depot.

★

DATA PATHING (U.K.) has won a contract worth about £750,000 from Westland Helicopters of Yeovil for the supply of shop floor data collection terminals and front end communication processors. This equipment will be the basis for the development of IMS based factory real time systems. The first four systems to be implemented will be on line shop floor control, real time goods receiving, real time spares order book and provisioning and a real time manufacturing inventory control system.

★

FERRANTI COMMUNICATION AND CONTROL GROUP, Edinburgh, has won an initial order worth £500,000 from Marconi Communication Systems to provide Ferranti Type 14000 microwave equipment for a long-haul colour TV transmission network. The Ministry of Defence has appointed Marconi Communication Systems as prime contractor for the system needed to relay TV programmes from London to the British Army of the Rhine.

★

BRIMS AND CO. has received a contract worth almost £1m. from Windvale, a subsidiary of Bellway Holdings, to build an eight-storey office block at the Regent Centre, Gosforth, Newcastle upon Tyne.

★

TAYLOR INSTRUMENT COMPANIES (EUROPE), Stevenage, Hertfordshire, has received a further order, worth more than £130,000 from the British Steel Corporation to supply its Ravenscraig works with control instrumentation and a control panel for the number three continuous slab casting machine. Taylor has already supplied similar instrumentation to the Ravenscraig number one and two continuous slab casting machines.

★

BRITISH OLIVETTI has received an order worth £330,000 from the North East consortium of Trustee Savings Banks for 65 Olivetti TC800 intelligent terminal systems.

London tea sales

At the tea sales held in London last week 48,852 packages sold realised an average price of 121.13p per kilo compared with 120.36p at the previous sales and against 65.75p a year ago. Plain tea was quoted at 105p.

	No. of kilos	Average per kilo
African Highland Prod.	88,080	132p
Assam Company	50,343	127½p
Assam Frontier	150,237	119p
Attaree Khat	14,650	117p
Blantyre	43,813	104p
Borelli	15,128	116½p
Cachar and Dooars	14,849	119p
Chobwa	21,053	118p
Chulsa	70,566	109½p
Dekhari	19,040	120p
Doom Dooma	35,569	120½p
Eastern Assam	22,128	119½p
Imperial	8,197	123½p
Janaiha	137,331	121p
Jhanzie	6,306	124p
Jokai	46,334	120p
Jorehaut	12,689	127½p
Kenya T. Co.	93,802	135p
Kenya T. Dev.	70,307	137p
Majoli	10,131	120p
Moran	64,377	127p
Namingomba	19,875	109p
Pabbojan	40,308	117p
Sri Lanka SP	168,460	122p
Thaosi	21,030	125p
Tingri	8,835	124½p
Tukuyu	38,707	134p
Upper Assam	58,621	125p

Stocks at February 11 amounted to 78,792 metric tons, compared with 62,919 metric tons a year ago. Converted at 48,306 kilos a package.

HOME NEWS

U.K. eager to start new patent system

BY A. H. HERMANN, LEGAL CORRESPONDENT

THE GOVERNMENT will ratify the European Patent Convention soon without waiting for the passage of the Patents Bill which will give effect to the U.K.'s obligations under that convention.

The new Patents Act is expected to receive Royal Assent in the summer.

The decision was announced yesterday by Mr. Ronald Bowen, deputy comptroller of the Patent Office, when addressing patent agents and lawyers at a conference arranged by the European Study Conferences in London.

It is possible only because U.K. obligations under the convention will not become operative until applications for European patents start flowing in, probably in January.

Mr. Bowen said the Patent Office was satisfied with the results of the negotiations concerning the opening of the European Patent Office in Munich, and was eager to see the European Patent system working. However, he gave a warning about the difficulties to be expected in the first three years of the new system.

The transition would be taking place when the Civil Service was still precluded—until the end of 1978 at least—from recruiting technical staff. When the new Patent Act comes into force—probably next January—some Patent Office examiners would be preparing to leave to start work in the European Patent Office in Munich while simultaneously many post-war entrants would become due for retirement. At that time the backlog of patent specifications filed under the present law would be about 44,000.

To them would have to be added applications under the new law, some of which (those claiming priority date of 12 months earlier) would fall due for searches during the first months of the system. It would be necessary to devise a system of priorities to meet the expected manpower bottleneck.

Mr. Bowen told the conference he was certain that the administrative council of the European Patent Office would agree that the British Patent Office, acting as its agent, should in the first two years examine 24 per cent. of all patent applications reaching the European Patent Office. After that time the number could be negotiated on the principle that the full British quota of examiners would remain employed on European Patent Office work.

The greater the number of examiners who decided to move to Munich, the fewer would be the number of applications examined in London.

Later, the conference heard Sir Alastair Pilkington, chairman of Pilkington Brothers, welcome the European unification of patents with some reservations. He would be sorry if the new system led to a proliferation of patents by competitors who, having a basic need for patent protection in only four or five countries in Europe, are offered a cheap option to extend their cover to several other countries.

Women are committing more crime

By James McDonald

THE UNACCEPTABLE face of Women's Lib was disclosed yesterday in the increasing involvement of women in crime.

Mr. John Wilson, Assistant Commissioner (Crime), introducing the Metropolitan Police crime statistics for 1976, said: "Women have been used as decoys and also to do the breaking-in to burglary cases and they are not all teenagers.

Women seem to think they have now got to be in the team and some are pretty tough cookies."

For the third successive year, robberies and violent thefts in the Metropolitan district exceeded the previous year's by more than 25 per cent.

The number of indictable crimes recorded by the Metropolitan Police last year was 472,474—4 per cent. more than in 1975. This, however, was lower than the 9 per cent. rise in 1975 and 16 per cent. in 1974.

The rise in crime was not matched by increases in crimes cleared up. The total number of crimes solved was 110,883; four per cent less than in 1975.

Of the 99,964 people arrested for crime, 49 per cent. were under 21 years old, and 27 per cent. were aged 10 to 16.

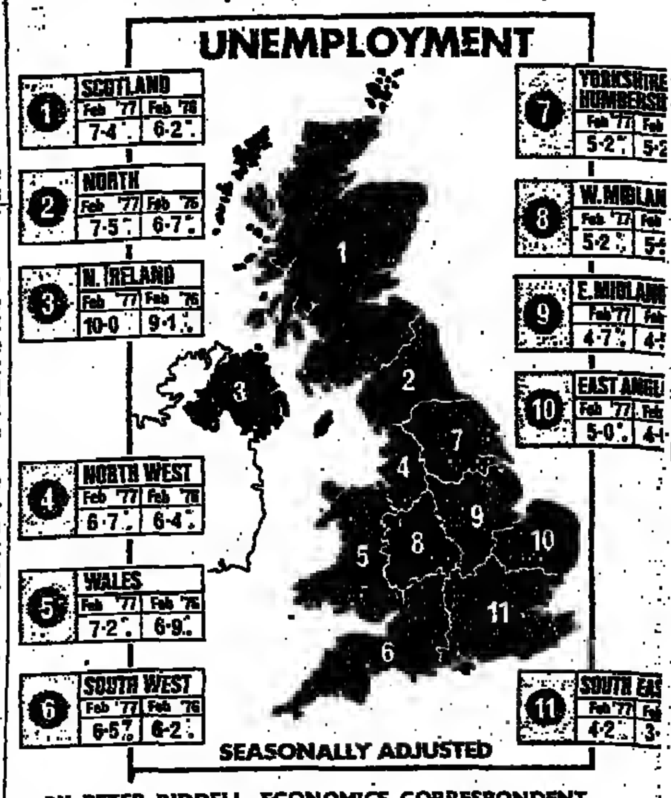
There were 28 bank robberies last year, against 27 in 1975. "Only £181,000 was stolen and £31,000 was recovered. The bank robbers are not getting so much profit from raids indicating that bank security systems have been tightened-up," Mr. Wilson said.

Burglaries were a serious and growing problem. The number last year, at 106,945, were a record and 9 per cent. higher than in 1975.

Homicides, at 145, were the same as in 1975 and there was a rise in the number of reported rapes but a reduction in other violent sexual assaults on females.

There was an increase in indictable assaults on the police, from 519 in 1975 to 1,020.

Regional differences



BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A DISTINCT change has occurred in the last few months in the regional pattern of unemployment. Until late last autumn the recession had been marked by lesser regional differences in the jobless figures—in contrast to previous downturns.

But the figures for the last two months have shown a slight widening of the gap. Thus, against a fall of 6,800 in the seasonally-adjusted U.K. total in the last month, there has been an increase of 1,000 in northern England and 1,300 in Scotland.

Since October unemployment in the north has risen by 2,700 (to 7.5 per cent.) and in Scotland by 11,800 (to ... per cent.) compared with 33,100 rise in the U.K. total (to 5.6 per cent.).

In south-east England, the jobless total is equivalent to 4.2 per cent. of the work force.

In Northern Ireland about 1,300 fewer people were out of work last month.

مكتفا من الاصل

A New Prices Policy: The Government's consultative document

'Key to solution of economic problems'

.OVERNMENT'S powers to ; a Price Code expire on 1, 1977, and new legislation necessary to allow price to continue. The Governe not prepared to accept mands from some sections stry for the abandonment e coolrol on July 31. The ment consider that it is nsable to maintain in r control over prices, if icy is to continue to make contribution to solving nomic problems.

e Commission

e Government propose that Price Commission, hed in 1973, should cono be responsible for the on of prices policy. Sir Cockfield, who has served rman since the inception commission, announced r, when he consented to ension of his appointment, wished to leave the com- on July 31, 1977. New rs will also be appointed commission.

sent policy

prices policy at present force consists of two elements. The first upon the Price Code. le is a large body of rules ble to all enterprises. described, the rules pro- at all companies have to thin profil levels typical period prior to control: at manufacturing and companies can increase ices pro rata to the in- since pre-control days. in allowable costs. There ain reliefs, notably geared stment outlays.

rgin controls

er the new legislation b they will ask Parlia- enact the Government to retain the powers to d enforce a Price Code. pose to use these powers ain the control over the net profit margins of manufacturing and service firms and the gross and net margins of distributors. Where reference levels set out in the Code are exceeded prices must be reduced. The Price Code provisions relating to margin control, including the present investment relief and the provision made in last year's Code amendments for the revision of reference levels, will be maintained. Consideration will be given to providing for Current Cost Accounting (CCA) to be used for the margin control, once an accounting standard has been issued, by those firms which adopt it in their accounts.

Cost controls

5—The present cost control rules for manufacturing and service firms have become overcomplicated and inflexible, and arbitrary and outdated in their application to individual products. They have come to be regarded by some firms as an entitlement to price increases, and in some cases they can adversely affect efficiency and employment. In the new policy the Government do not propose to continue with a control over price increases by reference to costs. This will be superseded by the new investigatory system described in the following section.

Investigations

6—The second element in the existing price controls comprises the investigations undertaken by the Price Commission on references from the Secretary of State. These investigations are concerned with specific questions—the price of a product, the effect of a pricing practice, the consequences for prices of a particular distributive system. The reference work is highly flexible. The terms of reference can be precisely tailored to the particular question to be investigated and the Price Commission can carry out the investigation with despatch.

7—The weakness of the present investigations is that few specific powers are available to the Government to act on recommendations made by the Price Commission following its investigation. Whilst useful results can be achieved on a voluntary basis by negotiation with the interests concerned, this is not sufficient.

8—The Government therefore propose to strengthen the investigatory system as a central part of the new policy. Their objective is to establish a strong but flexible instrument within their overall prices policy, preserving a balance with the other objectives of economic policy including the industrial strategy. The Government's proposal is a policy of price control within which the Secretary of State would have well defined powers to act in the cases of price rises which are unreasonable or prices which are unjustified. The chief characteristics of the new approach are:

All prices and all enterprises would come within the scope of the new policy subject to certain exceptions to be specified by order (for example coal and steel prices). The number of exceptions would not be large:

The Price Commission would take on new functions:

The larger manufacturing and service companies would be required to continue to prenotify their price increases (subject to exceptions similar to those applying under the present controls);

The commission would select price increases for investigation and in these cases make recommendations to the Secretary of State as to price increases which should be allowed;

The Secretary of State would have powers to act on the commission's recommendations, subject to Parliamentary procedure;

The Secretary of State would also have powers to order inquiries into prices and pricing practices and to act on recommendations, subject to Parliamentary procedure.

ANNEX: INQUIRY CRITERIA

The criteria would require the Price Commission and the Secretary of State to have regard to maintaining price levels which are equitable to consumers and remunerative to efficient manufacturers, distributors and providers of services. Among the relevant factors they would in particular have regard to:

(a) allowance for costs unavoidably incurred in the efficient supply of goods and services, taking account of the maintenance of the value of the business;

(b) the encouragement of the reduction of costs by improving the use of resources, whilst ensuring that the consumer shares in the resulting benefits;

(c) the earning of profits which give a real rate of return on capital employed sufficient to meet the cost of finance, including compensation for the business risk, and to sustain investment in expansion, innovation and technical improvement;

(d) the maintenance of quality and the satisfaction of changing consumer demands for goods and services;

(e) the encouragement of competition as contributing to price stability, or where competition is unavoidably limited the protection of the consumer against abuse of market power;

(f) the promotion of equilibrium between supply and demand and the avoidance of serious shortages or adverse effects on the balance of payments;

(g) the maintenance and expansion of the British share of world markets.

Enterprises

9—The Price Commission would decide, by reference to published criteria, set out in the annex, whether it wished to investigate a pre-notified price increase, the gross margin of a distributor who renders regular reports, or the prices or margins of any other enterprise.

10—Much of the Commission's work under this heading is expected to concern the pre-notifying manufacturing and service firms. These firms would not be able to increase any price during the 28-day prior notice period. If the Commission decided on an investigation, the price which it was proposed to increase would remain frozen for three months (beginning from the date on which the investigation was announced). The Commission would, however, be able to award an interim price increase and would be required to allow this in cases where the profit margin would otherwise be lower than the safeguard levels described in paragraph 13 below. The Secretary of State would be able to order the discontinuance of an investigation at any stage in the proceedings.

11—In its report the Price Commission would be required to give a precise recommendation concerning the proposed price increase.

12—In the case of distributors, it is not possible to freeze all their prices, or a block of them. But the Commission's recommendations arising from any investigation into an individual distributor could relate to the gross margin obtained in the period starting from the date on which the investigation began.

13—The Government propose that there should be safeguard levels below which the profit margin on the product (manufacturers and services) or on the business (distributors) may not be depressed as a result of any Order made by the Secretary of State following an investigation. The new legislation would stipulate that the new Code must contain such safeguards. The safeguards would represent minimum acceptable profit margins and would not reflect any judgment as to what should be regarded as a reasonable level of profit for the purposes of the investigatory system.

14—The investigations would be totally different from the quasi-mechanical measurement of a proposed price increase against a collection of rules contained in a Code. They would take account of the particular conditions in the enterprise; they would not, as in the Code, regard cost increases as inevitable but could go into the reasons for (and against) them; and third parties would be able to put their views to the Commission. Part of the investigation might take the form of public hearings, if requested by the company.

15—The present Code provides a sanction against breaches of any pay policy currently operative. The proposed new prices policy would contain a similar provision.

General inquiries

16—The preceding section described the application of the proposed new policy to individual enterprises in manufacturing, services and distribution. In addition, and carrying forward the programme of general Price Commission investigations which has been running for a couple of years, the Secretary of State would have powers to require the Commission to investigate for example, the price of a product made or sold by several enterprises, prices in a sector or a prevailing pricing practice. Like the investigations into individual enterprises those ordered by the Secretary of State would, where appropriate, go into costs and profits. The same criteria as would be used for the individual investigations would guide both the Secretary of State in deciding to order an investigation and the Commission in conducting it.

17—During such investigations the question of a price freeze would not arise; and these investigations would not be limited to a period of three months. The Price Commission would be required to make recommendations to the Secretary of State, and he would pursue them with the enterprises concerned. He would have powers to make Orders relating to prices and charges which followed from the Commission's recommendations or to accept legally binding undertakings from enterprises. At this and other appropriate stages in the day-to-day operation of the investigatory system, the sponsoring Departments of the companies concerned would be consulted. The safeguard provisions described in paragraph 13 above would also apply to Orders made following general inquiries.

Conclusion

18—The proposals in this Document would maintain a control across the board. They would relieve companies of the rigidities of the present cost controls and the administrative burden the latter create. They would establish a new regime in which pricing decisions, which affect the whole of society, would be made socially accountable.

Consultations

19—Comments on these proposals should be sent to the Department of Prices and Consumer Protection (Prices Policy Division), 1, Victoria Street, London, SW1 0ET, to reach the Department not later than Friday, March 18, 1977. Additional copies of this document can be obtained from the same address. It should be noted that detailed proposals on the revised Price Code, which would contain the margin controls and the safeguards relating to investigations, will be the subject of further consultations before the Code is made by Statutory Instrument under the proposed new legislation.

New price controls could delay economic recovery

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

THE TUC welcomed the Government's consultative document on price controls yesterday, but its leaders gave a warning that the proposals could lead to tendencies by jeopardising economic recovery.

The Confederation of British Industry, backed by strong statements from such organisations as the Retail Consortium and the Food and Drink Industries Council, said the Government had ... to trade union pressure and was endangering industry's ability to bring about an economic recovery and provide jobs.

Their reactions indicate that the Government would get little satisfaction with some sectors of industry unless changes were made. Although it is acknowledged that few fundamental changes will be made to the proposals during the consultative period, industry was yesterday getting in fight for all changes it can get.

The CBI wants to limit the discretionary powers in the proposed controls and so reduce the uncertainty for industry which it feels these powers would produce for companies.

It will also be backing the Retail Consortium's case for the relaxation of what it sees as the "harsh and unreasonable" treatment of retailers who under the proposals would be subject to additional special investigations and to the existing controls.

The Government has already answered some of the TUC's original objections to its earlier informal proposals on prices by retaining margin controls alongside the new powers to investigate price rises, so the TUC's reaction was perhaps predictable. Even so, it will encourage the Government.

Commenting on the consultative document, Mr. Len Murray, the TUC general secretary, said the proposals were helpful. He was pleased that the Government was to maintain general powers for the Price Code and the Price Commission in addition to new powers to investigate and act on individual prices.

The CBI, however, which until Friday understood that margin control was to be dropped along with cost control, said that it would oppose the plans strongly. The Confederation felt it had been badly let down by the Government which had once again surrendered to trade union pressure.

The plans went beyond any requirement for monitoring prices as a quid quo pro for wage restraint which was the only possible justification for price controls, the Confederation said.

At a time when the rate of return earned by industry had been below 4 per cent. in real terms for two successive years, and when the market was the main restraint on prices, the proposed controls could threaten the recovery in profits and hence investment, efficiency, and jobs, the CBI claimed. Yet such a recovery was necessary for the success of the Government's industrial strategy it pointed out.

The uncertainty created by the discretionary powers of the revamped Price Commission, and the Secretary of State, could deal a severe blow to business confidence at a time when it was beginning to recover, the CBI argued.

In the Confederation's view, the Government had missed an important opportunity to reduce the bureaucracy and administrative burden on companies by retaining the gross and net profit margin controls.

The Retail Consortium, whose members will now be subject to the existing gross and net profit margin controls and to the new system of special investigations, said that any long term application of price controls would be unworkable in retailing unless it was accompanied by equivalent long-term wage control.

Mr. Joseph Godber, the Consortium's chairman and a Conservative MP, said there would be strenuous opposition to the proposals. Retailers were now to suffer fourfold control, he claimed. This multiplication of controls could lead to a deterioration of service to the consumer and a significant increase in redundancies in the retail sector.

The Food and Drink Industries Council also stressed the depressing effect on business confidence of the new package.

The proposed scheme, it said, would do nothing but create more problems by generating uncertainty for the industry. It seemed that the Government sought to take powers to exercise control over prices on an arbitrary basis and that companies seeking authorisation to raise prices, even for reasons previously recognised under the price code as essential, might now find themselves exposed to investigation of every facet of their business.

The proposed investigatory system was not acceptable to the food industry, the Council said, and it would only be tolerable if the conditions under which companies could be investigated were made clear.

The National Consumer Council, the body set up by the Government to represent the consumer's interest, yesterday welcomed the new proposals with some reservations.

Mr. Michael Young, chairman, said that the proposals were a step forward.

But the Council argued that the proposal to only allow public hearings by the Price Commission when the companies involved asked for it was "manifestly unjust." Consumers, who had to pay the prices in the end, Mr. Young said, should also be able to ask the Commission to hold public hearings.

The Government's plans for future price controls gave the lie to the Prime Minister's professed belief in the need for a return to profitability, Mrs. Sally Oppenheim, the Shadow Spokesman on Prices and Consumer Affairs, claimed yesterday.

The proposals, she said, would create unemployment, undermine investment confidence, and bring no medium or short term benefit to consumers.

The fact that not only was the code to be continued, but that a new prices agency, with arbitrary powers was to be established, was all the more disturbing, she maintained, and gave lie to the Prime Minister's professed belief in the need to return to profitability.

SNOW REPORTS

	Depth (cms.) L.	U.	State of Piste	Weather	°C
Andermatt	60	310	Good	Snow	[illegible]
Good skiing on upper slopes					
Grindelwald	18	90	Good	Fair	6
Spring snow on lower slopes					
Isola	7	80	Worn	Fair	-3
Bare areas on lower slopes					
Isola 2000	270	270	Good	Snow	-4
Good powder on hard base					
La Plagne	205	255	Good	Cloud	-3
Good piste skiing					
Murren	70	110	Good	Fine	0
Good skiing everywhere					
Megeve	50	100	Fair	Fine	5
Good skiing on upper slopes					
St. Anton	65	310	Good	Cloud	8
Small snowfall Monday					
Zermatt	90	310	Good	Snow	1
Skiing good to trees					

Above reports supplied by the Ski Club of Great Britain.

	Depth (cms.) L.	U.	State of Piste	Weather	°C
SWITZERLAND					
Adelboden	20	100	Good	Sun	-1
Arosa	155	150	Good	Fair	-3
Pontresina	90	200	Good	Sun	-3
GERMANY					
Berchtesgaden	5	50	Poor	—	4
Garmisch	12	50	Fair	Fine	-1
Oberammergau	5	60	Poor	—	1

SCOTLAND

Cairngorm: Main runs and lower slopes, all complete. New snow on a firm base.

Glenshee: Main runs all complete. Lower slopes ample narrow areas. New snow on a firm base.

Glencoe: Main runs and lower slopes, all runs complete. New snow on a firm base.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

Total Italy plans to sell Mantua refinery

BY PAUL BETTS — ROME, Feb. 22.

TOTAL ITALIANA, the Italian subsidiary of Compagnie Française des Petroles (CFP), is currently negotiating the sale of its 3m.-ton Mantua refinery in Northern Italy.

Talks between the oil group and a consortium of Italian independents including Pootoil, Icroma, and Bitom Oil are understood to be already at an advanced stage.

Total, however, insists that it is not planning to sell its other Italian refinery in Trieste with an annual capacity of 5m. tons, nor its 20 per cent. stake in the 4m.-ton Rome refinery, which is 60 per cent. controlled by Fina and in which Chevron Oil holds a 20 per cent. interest. In spite of Italian Press reports, Total also intends to hold on to its 2,300 filling stations spread all over Italy.

According to oil industry sources, the sale of the Mantua refinery is part of Total's current reconstruction and rationalisation plan for its activities in Italy. Unlike Shell and BP which have both sold off their respective Italian operations, Total at present intends to maintain a presence in Italy.

Like its rival, Esso Italiana, Total has for some time campaigned against the Italian Government's policy of withholding permission for price increases until long after the company has been obliged to meet higher crude costs, and even then limiting retail increases to a portion of the higher costs.

In the past, private Italian oil companies have accused the government of a deliberately aggressive pricing policy, aimed eventually at establishing a complete State monopoly in this sector by gradually forcing independents to close down their Italian operations.

According to private oil company sources, the Italian government last year did not respect the "fundamental economic law" of encouraging an area of free risk and initiative by affording companies the chance of making adequate profits. The heavy losses reported last year by private oil companies were a direct result of the Government's pricing policy, the sources claimed.

At the end of last year, oil companies through their umbrella organisation, Unione Petrolifera, put to the Italian Parliamentary Commission for Industry their grievances and also proposed suggestions to restrict the number of retail outlets and rationalise distribution.

Total is understood to have been particularly critical of pressure in the past to force companies to open retail outlets on motorways at a time when repeated increases in motorway tolls have caused a notable fall in Italian motorway traffic.

Total's current rationalisation plan is also aimed at reviewing its entire distribution network to afford the company the opportunity of making new investments in Italy. As a result of the sale of the Mantua refinery, the group now intends to purchase, whenever necessary, oil from other Italian refineries.

The recent decision by the minority Christian Democrat Cabinet of Sig. Giulio Andreotti to increase by decree Italian diesel prices has been welcomed by the oil companies as a step in the right direction. These latest increases, however, are seen here not so much as an attempt to assist the troubled oil companies but as energy-saving measures.

UNITY BANK MERGER

Some relief in Canada

By James Scott in Toronto

A PROPOSED merger of the financially troubled Unity Bank of Canada, the country's tenth largest bank, with Provincial Bank of Canada, the seventh largest, will be a relief to Canada's banking community if completed. Unity has been losing money each year since it opened its first branch in 1973 and its continuing and growing losses have been an embarrassment to the other banks, which have been concerned about the effect on their international reputation.

In its first four years of operation its losses have amounted to $C4.7m. of which $3.5m. was registered in the fiscal year ended October 31 last year. It was last year's loss and the forecast by the bank's general manager and chief operating officer that it would record another loss in the current fiscal year that triggered the merger bid.

Theodore Avison, Unity's president, told the annual meeting of shareholders only three weeks ago just how bad the situation was 14 months ago when he was appointed to that post to try to turn things around. He said routine procedures in many of the branches were lax; the bank's investments were to a large degree of a quality and also of a term that left much to be desired; responsibility and accountability within the organisation were unrelated; and overall control was irresolute.

The blow that brought the whole thing to a head came a couple of days after the annual meeting when James Black, a Toronto businessman and land developer, and the bank's biggest customer, was charged by the Royal Canadian Mounted Police with fraud and bribery. He was accused of defrauding his own company, Claiborne Industries, of $1.5m.

Claiborne sold a $1.5m. debenture to Unity Bank last June. In addition, Mr. Black is believed to owe the bank more than $7m.

What went wrong at Unity is history now. When it was organised it was to be a bank different from the other chartered banks, but stock market analysts say the original management selected was weak and probably top heavy. In a hurry to build assets, Unity took on high risk loans which other banks would not have taken. It also expanded its branches too rapidly, far more rapidly than originally intended.

Unity started out with the aim of becoming an ethnic bank, catering to Canada's minority groups. It is difficult in Canada to-day to start a new retail bank which can compete with the vast branch networks of the established banks without specific regional or group appeal.

The very successful bank of British Columbia, for example, had the support of provincial government as well as regional appeal when it started a few years ago. But Unity's hope of becoming an ethnic bank failed and it abandoned its original aim. This left it with nothing to attract retail customers.

It then went after the wholesale banking business with the hope that it would succeed like the Mercantile Bank of Canada, but it lacked the advantage of a strong parent like Mercantile's Citicorp in New York. Unity's effort in this area also failed to produce the expected business.

Adding to all its woes, just the day before the annual meeting, the bank's founder Benjamin Levinter, and two other shareholders took the bank to court and obtained an interim injunction prohibiting the bank from declaring forfeit and or selling the partly-paid shares which the three men hold.

The forefiture could have come if a call for payment of $4.7 a share on the partly paid shares was not met. Together the three men hold about 70,000 of the 333,000 partly paid shares which are outstanding.

Because of all the bad publicity within a short space of time, there has been growing speculation about the bank's future, which was not brightened by the report that the Metropolitan Toronto School Board had decided to withdraw the $2m. it had on deposit. The news could not have helped Unity's standing in the money market and it is on this standing that Unity leans so heavily, having such a large amount of its total deposits in volatile money market deposits.

Speculation about further withdrawals has been defused by the announcement of its proposed merger with Provincial Bank, which has been in business for more than one hundred years. It would also be a big plus for Provincial if the merger goes through. It would acquire a ready-made network of branches in most Canadian provinces where it has wished to establish business. Its business to date has been mainly in Quebec.

The merger is favoured in Ottawa. The Inspector General of banks said "as a general rule, where a bank gets into difficulty, the regulations look for a means to rehabilitate the bank or see it winds up in orderly fashion. Under certain conditions one would have to consider a merger of a weak bank with a healthy one."

. . . . the bank's investments were to a large degree of a quality and also of a term that left much to be desired, responsibility and accountability within the organisation were unrelated and overall control was irresolute. . . .

Tandberg asks for state aid from IAF

By Fay Gjester — OSLO, Feb. 22

NORWAY'S TANDBERG el tronics concern is in econ difficulties and has asked State Industrial Assista Fund for aid.

A decision by the Fund expected early next month. State aid is forthcoming, may be made conditional closer links between Tandb and other Norwegian el tronics firms, including State-owned armaments, el tronics and engineering fi Kongsberg Vapenfabrikk.

A co-operation agreem between Tandberg, Kongs and Elektrisk Bureau (E producers of telecommuni tions equipment, was nnounced in December. connection with this, nego tions are still to progr about a takeover by N wegian interests of part of 43.25 per cent. stake w Swedeo's L. M. Ericsson held in EB. The St controlled slice of the sh purchase is likely to be lar in view of Tandberg's pr lems.

Taodberg managing di tor, Andreas Skogvold, rep a deficit of about Kr.3 (£3.3m.) last year, compar with a profit of just un Kr.1m. in 1975. Overall sa rose 5.5 per cent. to Kr.665

Reed Nampak above expectation

BY RICHARD ROLFE — JOHANNESBURG, Feb. 22.

RESULTS from Reed Nampak, the packaging group controlled ultimately by Reed International, which has a 52 per cent. stake, are better than foreseen at the time of the chairman's statement last July. Though profit margins were expected to come under increasing pressure, in the event they have firmed up about a point to 19.5 per cent. and turnover has remained buoyant. The latest figures are for the eight months to end-December and compare with the 12 months to April 30, 1976, the change being to reflect Reed's acquisition of its stake at the end of 1975.

For the eight months turnover is R80m. against R112m. for the previous year and operating profit R15.7m. against R20.7m. The attributable figure is R9m. against R12.5m. and earnings are 36 cents compared with 52 cents. Whereas 22.5 cents was paid out in dividends in the 12 month period, the figure for the eight months is 16.5 cents, rather better than the pro-rate equivalent of 14.7 cents, and suggesting a target of at least 24.75 cents for the current financial year. The result has been to drop cover marginally, but the shares 10 cents up on the figures at 260 cents, stand on a prospective yield of 9.5 per cent.

Reed Nampak has 24m. shares at present in issue, but will probably be expanded in due course to take over Reed's independently owned interests in South Africa, a move planned some time ago and officially expected when "deemed to be in the interest of all shareholders." As these other interests of Reed are nearly as big as Reed Nampak, the merger will be a large one and will create easily the biggest packaging and related industries grouping in the Republic.

NORWEGIAN COMPANIES

Waage-Hadrian merger veto

BY FAY GJESTER — OSLO, Feb. 22.

NORWAY'S Guarantee Institute for Ships and Drilling Vessels has vetoed plans for a merger of the Waage tanker group and Hilmar Reksten's company, Hadrian—both in difficulties as a result of the tanker crisis. The two companies have been discussing the idea, following an initiative recently by Hambros Bank of London, which is a major creditor of both.

The Institute's manager, Mr. Haakon Nygaard, said it had decided—as guarantor for Hadrian—that it would be inappropriate at present for the company to expand further and undertake additional debts.

Listing of the companies' shares on the Oslo Stock Exchange was suspended, at their request, during the merger negotiations. Hadrian's shares—but not Waage's—are now being quoted again.

Saga Petrokjemi

SAGA PETROKJEMI, petrochemicals subsidiary of Norway's Saga Petroleum, reports a deficit of Kr.15.2m. for 1976, reflecting the company's continuing position in the investment and development stage. Saga is partnering Statoil and Norsk Hydro in a petrochemicals complex now being built in East Norway and will operate plants for the production of polypropylene, LD polyethylene, and HD polyethylene.

Kvaerner Group

THE KVAERNER Shipbuilding and Engineering Group of Norway reports an 11 per cent. increase in turnover last year to Kr.2,178m., from Kr.1,959m. in 1975. Detailed profit figures are not yet available, but the Group says last year's results were the best since its formation in 1967, and considerably better than in 1975. Despite a somewhat uncertain order situation, it is optimistic about the outlook for 1977. It says decisions are about to be taken concerning "several interesting projects" which should enable the company to avoid serious employment problems.

Privatbanken profits

BY HILARY BARNES — COPENHAGEN, Feb. 22.

PRIVATBANKEN to-day announced net profits for 1976 of Kr.21m. compared with Kr.31.9m. in 1975. But in spite of the big drop in profits this was the best result from Denmark's Big Three banks.

Privatbanken also announced that it will be seeking to raise up to Kr.400m. in subordinated capital in loans made abroad. The other two big banks each raised about Kr.500m. at the end of last year.

The 1976 result is affected by a big unrealised loss on securities of Kr.170m. compared with a gain on this item of Kr.312m. in 1975. This reflects a drop in bond prices last year.

The result, before depreciation and unrealised losses, was Kr.199m., down from Kr.217m. in 1975.

Pirelli improves

BY OUR OWN CORRESPONDENT — ROME, Feb. 22.

IN ANTICIPATION of an extraordinary general meeting of Pirelli shareholders on Friday to approve a proposed capital increase of L50bn. (about £38m.) announced last month, the company reported to-day that Industrie Pirelli—the Italian operating company and perennial loss-maker of the Dunlop-Pirelli union—had substantially reduced its losses last year.

In a newspaper interview published to-day, Sig. Filiberto Pittini, managing director of Pirelli Spa (the Italian financial holding company of the group) said that Industrie Pirelli's losses had been cut back from L27.4bn. (about £14.2m.) in 1975 to less than L2bn. (about £1.3m.) last year. He said that group sales had increased by 30 per cent. last year compared to the previous year.

Despite the announcement, Pirelli Spa shares continued to fall on the Milan Bourse to-day, dropping by 17 points on last Friday's closing price to L1,103.

The sharp fall of Pirelli Spa share prices followed stock market disappointment that the proposed capital increase involving a rights issue is merely a routine financial operation.

DOMESTIC BONDS

Strong demand for two Belgian loans

BY PAULINE CLARK

EXCEPTIONALLY strong demand from both domestic and foreign investors has been reported this week for the two new semi-state loans launched on the Belgian bond market at the end of last week for Ste Nationale de Credit and Ste Nationale de Logement. Raising B.Frs.5bn. and B.Frs.16.5bn. respectively, both issues were for eight years on a 10 per cent. coupon and carried issue prices of 100.20 per cent.

While subscription lists closed only the day after the opening date, both bonds were yesterday being unofficially traded by professional investors at the issue price. This was in spite of official commission considerations which normally lead the institutions to trade between each other at 99 per cent. of the price which the bonds would eventually command on the open market.

The subscription period was well timed in view of the prior announcement by the Belgian National Bank that bank rates would be cut to 7 per cent. from 8 per cent. But according to a spokesman for Kredietbank NV, all the signs early last week were that the issues would go well anyway. It was pointed out that the savings ratio in Belgium remained high while there was also a seasonal background of high liquidity among financial institutions.

Longer term expectations for lower interest rates in order to stimulate the economy—now that the Belgian franc is in less need of support—are expected to underpin the domestic bond market over the next few months.

Nevertheless there is considerable speculation on how far rates will be allowed to go down in view of the comparatively heavy Government borrowing requirements anticipated this year. The bond market seems likely to be dominated by Government and semi-Government borrowings throughout 1977.

SELECTED EURODOLLAR BOND PRICES MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer
Alcan 9½pc 1988	104½	105
Australia 8½pc 1991	101	101½
Bowater 9½pc 1986	102	102½
Canadian N. Rwy. 8½pc 1986	100½	101½
Credit National 8½pc 1986	98½	99
Denmark 8½pc 1984	100	100½
ECS 9½pc 1986	102½	103½
EIB 8½pc 1988	100½	101½
Erap 9½pc 1985	103	103½
Esso 8pc 1986 Nov.	102½	103
Eurofima 8½pc 1987	102½	103½
Granges 9½pc 1987	101½	102½
Great Lakes Paper 8½pc '84	98½	99½
Hamersley 9½pc 1992	101½	102
ICI 8½pc 1987	97	97½
ISE Canada 9½pc 1986	100½	101
Macmillan Bloedel 9pc 1992	98½	99
Massey Ferguson 9½pc 1991	103½	104
Michelin 9½pc 1988	102½	103
Midland Int. Fin. 8½pc '86	99½	100½
Modo 9pc 1988	99	99½
Nat. Westminster 9pc 1986	101½	102½
Newfoundland 9pc 1989	100½	101½
Norges Komm. Bank 8½pc 1992	98½	99½
Norpipe 8½pc 1986	102½	103½
Norsk Hydro 9pc 1992	102½	103
Norsk Hydro 8½pc 1992	98	98½
Oslo 9pc 1988	101½	102½
Ports Autonomes 9pc 1991	99½	100
Prov. Quebec 9pc 1984	100	100½
Quebec Hydro 8½pc 1986	98	98½
Prov. Saskatch. 8½pc 1986	102	102½
Skand'n Enskilda 9pc 1991	100½	101½
SKF 8pc 1987	99½	100
Volvo 8½pc 1986	102½	103½
Volvo 8pc 1987	98	98½
NOTES		
Australia 8½pc 1983	102	102½
Australia 8½pc 1986	101½	102½
Dow Chemical 8pc 1986	101½	102½
ECS 7½pc 1982	97½	98
EEC 8½pc 1982	101½	102
Enso Gutzeit 8½pc 1984	97½	98½
Gotaverken 8pc 1982	101	101½
Hitachi Shipbldg. 7½pc 1984	97½	98½
Kockums 8pc 1983	99½	100½
Michelin 8½pc 1983	101½	102½
Montreal Urban 8½pc 1981	100	100½
Nat. Coal Board 8pc 1981	101	101½
New Brunswick Prov. 8½pc 1983	102½	103½
New Zealand 8½pc 1986	100	100½
Nippon Fudosan 8pc 1981	100½	101½
S. of Scot. Elec. 8½pc 1981	99½	100
Swedish State Co. 7½pc '82	99½	100½
Venezuela 8pc 1984	98	98½
FLOATING RATE NOTES		
BCO Brasil 6½pc min. 1982	97½	98½
BNP 5½pc min. 1985	98½	99
BNP 7pc min. 1985	100½	101½
IBJ 6pc min. 1982	97	97½
Lloyds 7½pc min. 1985	101	101½

	Bid	Offer
LTCB of Japan 6½pc min. 1981	99½	100½
Midland 7½pc min. 1983	101½	102
Williams & Glyns 6½pc min. 1984	100½	100½
D. MARK BONDS		
Austria 7pc 1987	99½	100½
Beecham 8pc 1983	102½	103
Bergen 7½pc 1989	98½	99
BFCE 7pc 1987	98	99½
EIB 6½pc 1984	98	99½
ICI 7½pc 1986	100½	101½
New Zealand 7½pc 1986	101½	102
Norway 6½pc 1982	100½	101
Shell 6½pc 1989	98½	99½
World Bank 7pc 1987	97½	98½
Source: White Weld Securities, London.		
CONVERTIBLES		
American Exp. 4½pc '87	81½	83½
Ashland 5pc 1988	94	96
Beatrice Foods 4½pc 1992	90	99
Beatrice Foods 4½pc 1992	107½	109½
Borden 5pc 1992	99½	101½
Broadway Hale 4½pc 1987	78	80
Canon Camera 7½pc 1989	207	—
Carnation 4pc 1987	84	86
Chevron 5pc 1988	127	129
Dart 4½pc 1987	82	84
Eastman Kodak 4½pc 1988	99	101
Economic Labs 4½pc 1987	77½	79½
Fed. Dept. Stores 4½pc '85	102	104
Firestone 5pc 1988	87	89
Ford 6pc 1986	99½	101½
Ford 5pc 1988	90½	92½
General Electric 4½pc 1987	84½	86½
Gillette 4½pc 1987	77	79
Gould 5pc 1987	116	118
Gulf and Western 5pc 1988	87	89
Harris 5pc 1992	104½	106½
Honeywell 6pc 1986	85½	87½
ITT 4½pc 1987	81½	83½
Komatsu 7½pc 1990	106	107½
J. Ray McDermott 4½pc '87	138	140
Mitsubishi Elec. 7½pc 1991	111½	113½
Mitsui 7½pc 1990	105	109½
J. P. Morgan 4½pc 1987	103	105
Nabisco 5½pc 1988	97½	99½
Owens Illinois 4½pc 1987	117½	119½
J. C. Penney 4½pc 1987	82½	84½
Pioneer 6½pc 1989	284	—
Raymond 8½pc 1993	117½	119½
Revlon 4½pc 1987	103½	105½
Reynolds Metals 5pc 1988	90½	92½
Sperry Rand 4½pc 1987	91	93
Squibb 4½pc 1987	80½	82½
Texaco 4½pc 1988	80	82
Toshiba 6½pc 1990	107	108½
Union Carbide 4½pc 1982	107	109
Warner Lambert 4½pc 1987	84	86
Warner Lambert 4½pc 1988	79	81
Xerox 5pc 1988	79	81
Source: Kidder, Peabody Securities.		

Chrysler Corp. turn-round to $328m. profit

BY STEWART FLEMING NEW YORK, Feb. 22.

[CHRY]SLER Corporation, the [third l]argest U.S. motor manufac[turer] to-day reported a turn-[round] of over $500m. in its [annual] results for 1976, com[pared] with 1975.

[Supp]orted by the strongest [g]ain of the big three motor [compan]ies, and an accompanying [gain] in its market share, [Chrysle]r has reported net operat[ing pro]fit for the year of $328m. [compar]ed with a loss from con[tinuing] operations of $207m. in [1975.] In addition, a tax credit [...] of $94m. has raised the [compan]y's final net profit for the [year to] $422m., or $7.02 a share.

[After] suffering earnings losses [from th]e middle of 1974 through [th]e final quarter of 1975, [which l]ed to fears about the com[pany's] ability to weather the [...] economic climate, [Chrysle]r has now strung together [five co]nsecutive quarters of net [profit.]

[In th]e fourth quarter of 1976, [the com]pany's net operating income was $84.8m. or $1.41 a share, compared with only 54 cents a share in the same period of 1975. The fourth quarter operating profit in 1975 was wiped out, however, by losses on the disposal of its Airtemp division, whereas in the final quarter of 1976 a tax credit of $34.4m. has increased total net income to $119.2m.

In spite of the strong recovery, analysts had been anticipating higher profits from Chrysler in the final quarter of the year, reflecting in part the company's strong sales gains. In dollar terms in the final quarter, Chrysler's sales rose by 26 per cent. to $4bn.

For the year as a whole, Chrysler recorded the strongest sales recovery in terms of units of output of any of the U.S. motor companies. Production rose by 31 per cent., increasing Chrysler's market share of domestic output from 14.2 to 15.1 per cent.

[IB]M offers shares

ARMONK (N.Y.), Feb. 22.

[FR]ANK T. CARY, chair[man of] International Business [Machine]s Corporation, announced [the] corporation was offering [to purch]ase up to 4m. shares of [its capit]al stock at $280 net per [share i]n cash, reports AP-DJ. [The sh]ares represent approxi[mately] 2.7 per cent. of the cor[poration']s shares outstanding at [Decemb]er 31, 1976. The offer [will cl]ose, unless extended, will [...] March 7.

[The c]orporation will pay to [...] or dealers and to com[mercial] banks or trust companies [a solicit]ation fee of 75 cents for [each sh]are purchased by the [corporat]ion under the offer. The [fee pay]able to any one broker, [dealer, c]ommercial bank or trust [company] is subject to a maxi[mum of] $2,500 with respect to [any sin]gle beneficial owner. [Morgan] Stanley and Co. will act [as deale]r manager for the cor[poration] in connection with the [offer.]

[Metallgesellschaft]-Story [deal t]erminated

[STORY] CHEMICAL said that [Metallge]sellschaft AG, the West [German] metals and chemicals [group], has terminated its pre[viously] announced plans to [acquire] most of Story Chemical's [assets,] reports AP-DJ from [...]

[Story] Chemical has been [operatin]g under Chapter 11 of [the] bankruptcy laws. This [allows the] company to operate while seeking a way to reorganise itself and pay off its debts.

Mr. Harry Forman, president of Story Chemical, said the sale to Metallgesellschaft fell through after a review by the West German concern determined that Story Chemical "didn't fit well" with the company's overall operations.

I U INTERNATIONAL

4th Quarter	1976-77	1975-76
	$	$
Revenue	535.9m.	467.6m.
Profits	11.3m.	6.6m.
Per share	0.33	0.19
12 Months		
Revenue	1.95bn.	1.82bn.
Profits	42.5m.	82.2m.
Per share	1.25	2.5

MR. JOHN M. SEABROOK, chairman and chief executive, said in Philadelphia yesterday: "It was a poor year for IU but we expect improved earnings in 1977 and are optimistic about the long-term trends of our major businesses."

FIRESTONE TIRE & RUBBER

1st Quarter	1976-77	1975-76
	$	$
Revenue	978m.	860.2m.
Profits	23.3m.	19.8m.
Per share	0.41	0.35

DEERE

1st Quarter	1976-77	1975-76
	$	$
Revenue	606m.	633m.
Profits	40.2m.	45.7m.
Per share	0.67	0.77

BANKING ACROSS THE WORLD

Satisfaction on 1976 performance

LACKING SOME of the idiosyncracies (and thus the volatility of profits) of the U.K. banking system, most of to-day's clutch of international bank results may seem pedestrian in comparison with their U.K. counterparts. But a tinge of disappointment in Hong Kong, satisfaction at the Swiss Bank Corporation and good ratios at Svenska Handelsbanken still add up to results which are worthy enough in their own terms.

It is ironic, in this context, that the big numbers in terms of profits growth come from the U.K.-based consortium banks; but part of this, of course, reflects the decline in sterling.

HK Bank group profits estimate

THE HONGKONG and Shanghai Banking Corporation to-day announced a rise of 14 per cent. in its parent company profit for the year ending December 1976 to $HK356.4m., Philip Bowring writes from Hong Kong. It forecast that consolidated group net profit for the year would be around $HK390m., up from $HK333m. in 1975, an increase of 17 per cent.

A final dividend of 44 cents has been declared making a total for the year of 60 cents. This is an increase of 13.5 per cent on 1975. Dividends in that year totalled 58 cents but there has since been a one for ten scrip issue. A further one for ten scrip issue is now recommended, and the board expects that, provided there are no major economic setbacks, it will be possible to maintain the dividend on the increased capital.

Mr. Guy Sayer, chairman, declined to give details on how particular parts of the group performed during the year or to explain the big differential between the consolidated and unconsolidated profit increase.

No mention was made either of the British Bank of the Middle East. The group's interim statement last July referred to "unquantifiable potential losses" as a result of the civil war in the Lebanon, but said provision for them would be made out of current profits.

If the losses were severe they would have been expected to pull down the unconsolidated as well as the consolidated results. Possibly the BBME, which in 1975 made an announced profit of £4.79m. and paid out £3.5m. in dividend, again made money in 1976 but paid no dividend in the wake of the Lebanese problem.

Part of the difference between consolidated and unconsolidated results would be accounted for by the announcement last week by the group's largest subsidiary, the Hang Seng Bank, of a 31 per cent. profit rise but only a 21 per cent. dividend increase.

A further possible contribution to the differential could be the elimination of losses by Wardley Australia which lost $HK30m. in 1975.

All in all, the market may be very slightly disappointed by the results after the big profit gains of the Hang Seng Bank. The climate in Hong Kong itself has been good, with total bank deposits rising some 20 per cent in 1976. Though liquidity remained high and interest rates fell, overall lending margins should have improved as, unlike 1975, there would no longer have been an overhang of expensive time deposits taken when rates were at their peaks in 1974.

SBC satisfied with 1976 results

NET PROFITS of Swiss Bank Corporation rose 13.2 per cent last year to Sw.Frs.226.1m. (S.Frs.199.8m.), despite a decline in total income from Sw.Frs.3.21bn. to Sw.Frs.3.06bn., John Wicks writes from Basle.

Dr. Hugo Grob, management chairman, said at a Press conference here to-day that overall results were satisfactory, considering the marked effects of the recession on banking during the year. Expenditure increased at a slower rate in 1976, he added, with personnel costs rising by below 10 per cent for the first time since 1967.

The past year, said Dr. Grob, was one of consolidation for the bank. After a 31 per cent growth in 1975, the balance sheet total had increased by only 5.9 per cent last year to reach a level of Sw.Frs.52.8bn. at December 31, this increase having taken place solely during the second half.

New deposits were made primarily by customers, the inter-bank credits which had been instrumental in bringing about the sharp expansion of 1975 having hardly increased.

Within the customer deposits, however, those of foreign clients in both Swiss francs and other currencies had shown no growth, a rise in foreigners' Swiss-franc accounts having become virtually impossible as a result of official measures against an influx of money from abroad.

On the active side, too, there was a trend from inter-bank debtors in favour of loans to customers. Client credit business expanded by 13 per cent., with particularly high growth rates in respect of credit for foreign public authorities.

In the profit and loss account, interest income dropped over the year to Sw.Frs.2.13bn. (Sw.Frs.2.38bn.) and that on bills of exchange and money-market paper to Sw.Frs.140m. (Sw.Frs.161.3m.). There was also a considerable drop in profits from foreign-exchange and precious-metal dealing, from Sw.Frs.196.2m. to Sw.Frs.160.6m.

Dr. Grob pointed to the measures of the Swiss National Bank to restrict further the forward sales of Swiss francs to foreigners, while on the gold market, be said, the sharp price decline and fall in turnover resulting from the first three IMF auctions had been made up for only in part since August.

M. Walter Frey, managing director, said that the Swiss Bank Corporation played a leading role in the sale of new gold production and was among the most successful purchasers at the IMF auctions.

Libra profits rise 37% to £4.1m.

LIBRA BANK'S pre-tax operating profits increased 37 per cent. to £4.1m. in the year ended December 31, 1976, while total assets rose 59 per cent. to £273.9m. The managing director of this consortium bank, specialising in Latin America, Mr. Tom Gaffney, says that during the year, Libra increased its liquidity, shortened the average life of its loan portfolio and strengthened its balance sheet through retained earnings and the addition of subordinated debt, writes Tony Hawkins.

Commenting on the much-publicised Third World debt problem, Mr. Gaffney says that Libra does not feel that the magnitude of current concern is justified by the historical record. Many developing countries are taking "laudable measures" to cut back substantially on development programmes and reduce economic growth rates in order to alleviate adverse effects on their balance of payments.

In recognition of this, the international banking system has continued to make loans to developing countries on a selective basis. This selectivity focuses on meaningful project-related finance which will benefit the local economy, develop further the diversification of export potential and bring about fundamental adjustments in the balance of payments for longer-term stability.

Mr. Gaffney says that 71 per cent. of Libra's total portfolio is lent directly to—or guaranteed by—sovereign Governments and the Bank has not incurred a loss either of principal or interest since its inception in 1972.

Libra has declared a maiden dividend of £378,000 in respect of the 1976 financial year. Mr. Gaffney says that the goal of establishing Libra as the leading regional bank in Latin America has been largely accomplished.

The European Banking Company has announced a 50 per cent. increase in taxed profits, which reached £1.5m. in the year ended December 31, 1976. Total assets increased 13 per cent. to £257m. During the year European Banking managed or co-managed 16 capital market operations and also managed or co-managed ten medium-term syndicated credits, including the $300m. credit for the EEC.

European Banking says it has established a position as a specialist in floating-rate notes issued by international banks and has also acted as principal supplier of finance to several large international projects. During 1976 EBC managed the largest private placement undertaken (at that time) for a U.S. corporation in the Eurobond market with a $120m. placement for Dow Chemical Company.

In his review, the chairman, Dr C. F. Karsten says the outlook for a further expansion in EBC business in 1977 remains generally favourable but also very dependant upon the economic and monetary factors that will dictate interest rate movements and capital market conditions.

Svenska Handelsbanken maintains high return

SVENSKA Handelsbanken, one of Sweden's two largest private commercial banks, achieved a 13.9 per cent. return on equity last year, thus retaining its 2 per cent. premium over the average return for other Swedish banks, even though costs grew faster than income. The balance sheet total rose by 7 per cent. to Kr.38bn. compared with an average growth of 6 per cent. for the other banks, writes William Dullforce from Stockholm.

The increase in share capital proposed by the Board is motivated by the very small margin between capital reserves and the legal requirement of the Banking Act. It will test the management's ability to maintain its earnings record at a time when the managing director Mr. Jan Wallander (writing in the final report for 1976), believes the bank has reached the limit in staff reductions.

Handelsbanken's earnings rose by 15 per cent. to Kr.546m. (£75.3m.) last year. If the bank's subsidiaries are included, the consolidated profit was Kr.603m., giving adjusted earnings per share of Kr.61 against Kr.52 for 1975.

Income grew by 17 per cent. to Kr.1.2bn. while costs rose by 18 per cent. to Kr.666m., of which payroll expenditure accounted for Kr.431m. Other spending rose more swiftly due primarily to the sharp increase in telephone costs and servicing for the terminal computer system, which was in regular use for the first time in 1976.

Mr. Wallander believes Handelsbanken, which has gone through a rationalisation exercise in the past few years, has little left to exploit on the cost reduction front. Instead he underlines the possibilities of the foreign business divisions, into which areas the bank has expanded heavily over the past three years.

The bank's deposits grew by only 3 per cent. or by Kr.670m. to Kr.21.4bn. over the year. In contrast lending was up by 13 per cent. or Kr.2.2bn., of which Kr.850m. was refinanced abroad.

The bulk of earnings came from interest income, which grew by 19 per cent. to Kr.886m., the interest margin averaging 2.22 per cent. over the year. Income from commissions rose by only 8 per cent. to Kr.287m.

Bank Mees en Hope Net profits improve

BANK MEES en Hope expects net profits to show a substantial increase for 1976, Michael van Os writes from Amsterdam. This should be largely attributable, however, to the sale of a number of minority interests in the aftermath of the bank's acquisition by ABN in October, 1975. Total revenue, in fact, is expected to be down somewhat on 1975.

The forecasts were contained in to-day's loan prospectus from BMH which is floating a 8.5 per cent. Fls.75m. bond loan 1978-87.

The purpose of the loan is to reinforce the major Dutch bank's capital base in the light of the rising demand for finance on the part of the corporate sector.

In the past year, medium- and long-term finance demand was described as "substantial" and this was attributable to increased pressure for mortgage loans as well as in response to the trend towards consolidating short-term debts and the financing of new projects.

In its prospectus, BMH refrains from making predictions about this current year's possible business volume and results, but it adds that operating results should continue to show an upward trend this year.

Reviewing its business progress in the final quarter of 1976, the bank said that the interest margin appears to have broadened again somewhat. But provisional figures suggest that interest revenue (income) should remain somewhat below 1975. The upward trend in banking commissions has continued, but there is no sign yet of an improvement in revenue from security (shares) business.

The bank's total revenue amounted to Fls.151m. in the nine-months period, representing about three-quarters of the revenue recorded in 1975 as a whole.

Price for Saab issue set at $99\frac{1}{4}$

By Tony Hawkins

THE $50m. 1989 Eurobond issue for Saab-Scania has been priced at 99¼ on an indicated 8½ per cent. coupon. The bonds, with an average life of 8½ years will yield 8.6 per cent. to maturity. An immediate comparison is being made in the market with the terms for the $35m. 1987 Volvo issue on an 8 per cent. coupon and priced at par. Both issues have an average life of about 8½ years and the Volvo paper, currently trading in the market at a middle price of 98¼, gives a return to maturity of 8.26 per cent.

The $15m. Toyo Kanetsu 1982 issue was priced at par after being well over-subscribed with a coupon of 7¾ per cent. as indicated. The popularity of this offering is attributed to the size of the issue and the quality of the guarantor, and the fact that there is no other five-year paper in the market at present.

Yesterday was another quietly trendless day in the secondary market. Dealers said that if there was any discernible trend it was the relative popularity of floating rate issues.

Business remained at low levels and some dealers said they believed the market was suffering from "fatigue" and seeking a breathing space from new issues which would allow time for consolidation.

In the Canadian dollar market, the new Can.$60m. Canadian National Railway 1987 issue (average life 8.6 years) priced at 99¼ on Monday with a coupon of 8.875 per cent. to yield 8.99 per cent. to maturity opened at a significant discount. In the afternoon the price was quoted at 97¼/97¾.

Terms have been confirmed for the $30m. Tauernautobahn 1987 Eurobond issue on an indicated 8¼ per cent. coupon. The bonds will have an average life of 8¼ years.

Tauernautobahn was established in 1969 with the responsibility of constructing, financing and operating the Alpine section of one of Austria's major north/south motorways, which is 115 miles long.

Lead managers for the issue are Creditanstalt-Bankverein and Kidder Peabody International.

BONDTRADX INDEX

	Tuesday	Monday
Medium	102.38	102.38
Long	94.81	94.80
Convertible	108.53	108.53

WALL STREET + OVERSEAS MARKETS + FOREIGN EXCHANGES

Slightly weaker in thin trading

BY OUR WALL STREET CORRESPONDENT

NEW YORK, Feb. 22.

STOCKS TRADED generally higher on the first day of this holiday-shortened week. The long-awaited market rally continues to be limited by investors' fears about the economic outlook.

President Carter's Budget message to Congress to-day, which would raise the Budget deficit to \$57.7bn. in fiscal 1978, was widely expected and had no impact on sentiment.

The major news item was an IBM announcement of company plans to purchase 4m. of its own shares at \$280 each. The stock jumped more than six points to \$275¾ after trading had been halted.

The Dow Jones Industrial Index fell 0.33 to 939.91 on the IBM announcement with volume on the New York Stock Exchange less than 9m. shares. The Transport Index lost 0.39 at 224.53. Utility shed 0.51 at 106.12. And Stocks retreated 0.45 to 307.83.

Closing prices and market reports were not available for this edition.

Eastman Kodak, which introduced two microfilm processors, gained \$1¾ at \$73¾, and Polaroid was up 75 cents at \$36½. The company is expected to introduce a system of instant movies.

Also on the plus side were Ford Motor Co., which won a Supreme Court ruling in a discrimination suit involving independent dealers of motor parts. General Motors, however, was off 25 cents at \$71. The company admitted it was being investigated by the Federal Government in a tax case.

Stocks turned mixed in slow trading. Declines led advances by a narrow margin, with only about 11m. shares changing hands.

Inmont, which rejected a takeover proposal by Esmark, was down \$1 at \$21¼ while Esmark fell 25 cents to \$31⅞.

OTHER MARKETS

Canada mixed

Paper and Gold issues moved markedly higher while Metal and Industrial share prices were generally lower in light noon trading on the Toronto market. The Toronto Industrial Index edged 0.9 lower at 1,007.3 but Golds were up 19 at 1,023.2. The Mines Index lost 5.4 at 1,112.3.

Consolidated-Bathurst rose ⅛ at \$27, Domtar 25 cents at \$14¼, while Great Lakes added 50 cents to \$28. Among Golds, Dome Mines gained 75 cents at \$51 and Camflo 25 cents at \$12¼.

PARIS—Most shares were lower, depressed by the higher French trade deficit in January, the weakness of the franc and tighter money market conditions. Engineerings were the only sector to show overall resistance.

Isolated rises included CCF and Lucindus in the Banking sector and CEM in Electricals. Aquitaine lost Frs.10 at Frs.291.5 and BSN Gervais declined Frs.3.9 to Frs.424.1. Carrefour fell Frs.27 to Frs.1,352 and Peugeot-Citroen weakened by Frs.4 to Frs.237. Gal Lafayette shed Frs.2 and Thomson Brandt Frs.1 to Frs.171.

BRUSSELS—The market was mixed to higher in quiet trading. Sidro, Electrafina, FN, Cockerill, Hainaut-Sambre, Gevaert, UCB and Arbed rose. Falls included Societe Generale, Sofina, EBES and Intercom, which shed Frs.40 to Frs.1,705. Petrofina was ahead Frs.40 at Frs.4,730 and Vieille Montagne advanced Frs.10 to Frs.3 015.

AMSTERDAM — The market firmed. Dutch Internationals rose with the exception of Hoogovens which fell Fls.0.30 to Fls.36. Elsewhere shares were generally higher. Isolated exceptions were Ommern, off Fl.1, Amro and ABN. Fokker, Bvenkorf and Amfas also fell, although Ned. Mid. Bank was a firm spot.

FRANKFURT — Shares were mixed after Monday's easier trend in quiet, thin trading with the Bourse closing early for carnival celebrations. Most leading Banks and Chemicals closed up to DM1.40 easier, while Motors and Engineerings recovered up to DM2.50 in the case of BMW and DM2.30 in Demag. Among Electricals BBC firmed DM2.80, Siemens were DM2 higher

MILAN—Stocks eased in thin dealings, influenced by selling orders from investor profit-taking. Generale Immobiliare led Constructions lower, while Fiat, both Olivettis, Snia Viscosa and ANIC were among leading Industrials to fail. Both Pirellis also eased, in spite of optimistic company statements about the activities of Industrie Pirelli—the group's main operating company. Mediobianca slipped L.1,150 to L.43,100.

COPENHAGEN—The market was mixed in moderate dealings. Banks closed fractionally higher.

ZURICH—The market was slightly irregular with a firmer undertone in light trading. Swissair and Banks were very steady. Among Financials, small gains predominated, while Insurances drifted mainly lower apart from Baloise Participation Certificate. Oerlikon-Boehrle was firmer.

In Industrials, BBC was little changed after reporting lower 1976 orders. In Chemicals, Ciba-Geigy firmed on the unchanged dividend and reported higher earnings for 1976.

OSLO—Banks were quiet and Insurances and Industrials easier. But Shippings firmed slightly.

VIENNA—No definite trend, but leading shares moved higher.

MADRID—The stock market leaped ahead with the SE index up 3.53 at 99.10—one of the highest-ever recorded daily rises. Banks were in heavy demand and most of them rose by 5 per cent on the day. There was heavy demand, too, for Industrials, particularly Cepsa, Aragonesas and Altos Hornos.

JOHANNESBURG—Gold shares were steady at higher levels towards the close with a shortage of stock noted. Heavyweights gained up to 75 cents and medium-priced stocks about 25 cents. Financial Minings were quietly steady to firmer. De Beers rose 3 cents to R3.83. Platinums were about 2 cents harder.

HONG KONG—Share prices fell on lack of buying support in fairly quiet trading, with operators awaiting Hong Kong Bank's final results due later. Jardine Matheson, Swire Pacific, Hong Kong Bank and Hong Kong Land, Hutchison and Wheelock Marden all declined.

TOKYO—Prices closed slightly higher, as late profit-taking erased most early gains in thin trading. The market average gained 0.03 at 379.36. Blue Chips were generally higher on reports that the outstanding balance of buying in margin trading, to be announced will show a decline from last week. Electricals firmed, led by Sony and Tok Electronics.

Nippon Electric rose, as did department and retail Stores following a sharp rise in January sales.

AUSTRALIA—Selling depressed prices in most sectors, due to the record rise in the fourth 1972 quarter consumer price index and the unemployment situation. Leading Industrial BHP dropped 20 cents to \$A6.74, Pancontinental 20 to \$A9 and Woolworths and CSR \$A3 each to \$A1.10 and \$3.35. Woodside-Burmah, Oakbridge, Hamersley, Thiess, AAR, Waltons and the Wales also eased.

However, Peko-Wallsend rose 18 cents to \$A4.60 and EZ Industries gained 5 cents on higher profits. MIM, Renison, Amatil and Aust Guarantee also rose. Comalco firmed 3 cents to \$A2.40 and IAC gained 2 to 60 cents despite lower profits.

NOTES: Overseas prices shown below exclude \$ premium. Belgian dividends are after withholding tax. ◆ DM50 denom. unless otherwise stated. ♥ Ptas.500 denom. unless otherwise stated. ♣ Kr.100 denom. unless otherwise stated. Φ Frs.500 denom. unless otherwise stated. ǁ Yen 50 denom. unless otherwise stated. ≠ Price at time of suspension. a Florins. b Shillings. c Cents. d Dividend after pending rights and/or scrip issue. e Per share. f Francs. g Gross div. %. h Assumed dividend after scrip and/or rights issue. k After local taxes. m % tax free. n Francs; including ...

£ and \$ improve

Sterling gained ground against the U.S. dollar and most other major currencies in the foreign exchange market yesterday. The dollar was generally very firm and this tended to push up the pound, which may have received some support from the Bank of England in the morning. A reduction in U.K. unemployment in February and the union call to British Leyland toolmakers to resume work helped sentiment and it is possible that after a rather weak start by the pound the authorities were able to take in further foreign exchange for the reserves as sterling improved around mid-day.

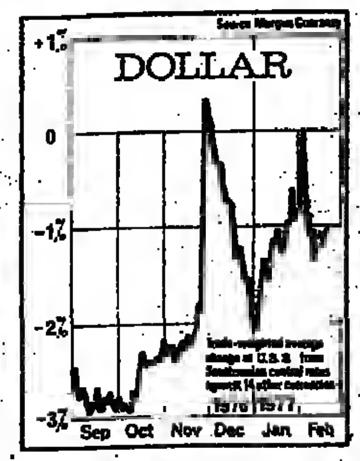
The pound's trade-weighted average depreciation since the Washington Currency Agreement of December, 1971, as calculated by the Bank of England, narrowed to 43.3 per cent. from 43.5 per cent., after standing at 43.4 per cent. at noon and 43.5 per cent. in early dealings.

It opened at \$1.7040-1.7050 and was fairly steady at around \$1.7060 for most of the morning. Buying from New York after lunch helped sterling touch a best level of \$1.7080-1.7090, and it closed at \$1.7070-1.7080, a gain of 20 points on the day.

The dollar's trade-weighted depreciation since the Washington Agreement, as calculated by Morgan Guaranty of New York on noon rates, narrowed to 1.02 per cent. from 1.08 per cent. on Friday.

The Spanish peseta closed at 69.27½ to the U.S. dollar, compared with 69.30 on Monday. The Bank of Spain probably intervened to steady the currency in nervous trading ahead of the expected announcement of an economic package.

Gold rose \$½ to \$137¾-138¼ following buying interest from the U.S. after the closure of their market on Monday. The krugerrand's premium over its gold content widened to 3.53 per cent. from 3 per cent. for domestic and international delivery.



SPECIAL DRAWING RIGHTS RATES

One SDR is equal to	*Feb. 12	Feb. 17
Sterling	0.678586	0.678288
U.S. dollar	1.15631	1.15621
Belgian franc	42.6531	42.5630
Deutschemark	2.77087	2.77363
French franc	5.76825	5.75821
Italian lira	1020.13	1019.29
Japanese yen	327.756	328.711
Dutch guilder	2.89540	2.90688
Swedish krone	4.89871	4.89539
Swiss franc	2.96696	2.90625

Values are for currencies against the SDR as calculated by the International Monetary Fund in Washington. * Closed February 21.

EXCHANGE CROSS-RATES

Feb. 22	Frankfurt	New York	Paris	Brussels	London	A'sterdam	Zurich
Fr'nkfurt	—	2.392-393	47.90-95	6.605-612	4.085-090	95.67-73	94.82-88
N. York†	41.80-82	—	20.04-05	2.7170-90	1.7050-7055	40.07-07	39.81-33
Paris	208.6-9.09	4.988-998	—	13.79-82	2.508 533	200.15 55	198.32-72
Brussels	15.45-38	36.71-74	7.34-37	—	62.60-71	14.72-76	14.58-62
London	4.084-91	1.7070-80	8.52-53	62.74-85	—	4.-8¼ 27½	4.30¼ 31¼
Am'rd'm	104.29 54	2.491-493	49.8-98	6.789-794	4.2-3-2-8	—	99.07-12
Zurich	105.4-49	2.522-523	50.53-57	6.85-86	4.307 311	100.9-1.02	—

Indices

NEW YORK — DOW JONES

N.Y.S.E. ALL COMMON

Feb. 22	Feb. 17	Feb. 16	Feb. 15	1976/77 High	1976/77 Low
54.68	54.68	55.19	54.95	57.88 (31/12)	57.03 (2/1/76)

Rises and Falls	Feb. 18
Issues Traded—1,852	Up—563
Down—796	Same—493
New Highs—27	New Lows—6

GOLD MARKET

FOREIGN EXCHANGES

EURO-CURRENCY INTEREST RATES*

FORWARD RATES

OVERSEAS SHARE INFORMATION

NEW YORK · CANADA · GERMANY · MILAN · AUSTRALIA · OSLO · BRAZIL · JOHANNESBURG · SPAIN · PARIS · BRUSSELS/LUXEMBOURG · SWITZERLAND · TOKYO · AMSTERDAM · COPENHAGEN · STOCKHOLM · VIENNA

مكتفا من الاصل

ARMING AND RAW MATERIALS

roducers ek cocoa ice rise

ABIDJAN, Feb. 22.

OCOA Producers' Alliance to improve the price ntees contained in the 1975 ational Cocoa Agreement e account of inflation, pro- n costs and market condi- Mr. Bobbo Hamaloukour ce president, said.

Cameroon Trade Minister peaking ahead of the alli- conference, starting here Friday, at which member tes will try to hammer out mon strategy for facing onsumer partners, reports

can cocoa producers con- he prices range in the 1975 ent out of date as cur- arket prices are more than r pound, well above the rice of 39 cents a pound iling price of 55 cents a laid down in the Agree- sources close to the alli- said.

ries of preparatory meet- egin to-day ahead of the onference at which Min- from African producer es will, in particular, be into the question of price in the 1975 agreement.

mmodity Staff writes: De- for physical cocoa and a tion of "bullish" senti- ent prices on the London l market up by the £40 arly yesterday. At one May cocoa reached £2,344 e before easing to close gher on balance at £2,301

ier tone at stralian ol sales

r Commodities Staff

WERE generally easier Australian wool auctions ay, with the Wool Cor. being forced to step up port buying to a higher an has been needed in few months.

e Goulburn sale the cor- took 18 per cent. of the 306 bales on offer, and long 13.5 per cent. of ales.

ugh values of better wools remained firm. of lower-quality grades marginally lower with 1.5 to 2.5 per cent. com- ith previous sales.

—Zealand wool prices at kland auction were un- on last week's Inver- rates, but were 15 per wn on the last Auckland

Brazil manipulation row hits coffee prices

BY RICHARD MOONEY

A U.S. Congressman yesterday accused Brazil of manipulating coffee stocks figures in order to boost prices artificially. At a coffee prices hearing Democratic representative Fred Richmond, of New York, presented copies of cables between the State Department and the U.S. Embassy in Rio de Janeiro which, he said, provided strong evidence of manipulation.

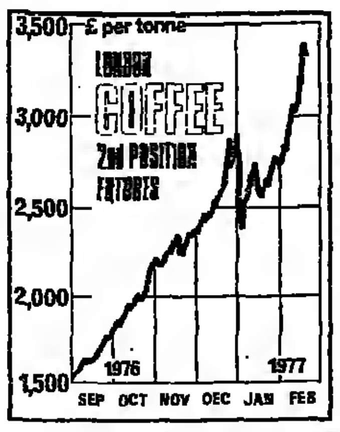
He told the hearing that the cables disclosed that the Government of Brazil has been conducting a deliberate, pervasive campaign to inflate and artificially maintain coffee prices at record levels.

The chief weapon in this price war had been Brazil's "exorbitant and ever-increasing export tax."

He quoted a cable, sent to the State Department on November 23, which said that by increasing the minimum export price the Brazilian Coffee Institute (IBC) intended to slow down coffee exports and strengthen world market prices.

"Brazil will thus expect to resume its coffee sales in the international market at high prices after remaining out of the market for one or two months," the cable said.

An earlier cable reported a faster-than-expected recovery in Brazilian coffee production following the 1975 frost and Mr. Richmond and others disclosed that Brazil had entered the international market at least twice within the past year in attempts to purchase large quantities of coffee from Angola and El Salvador.



Although there was a slump in market prices, London coffee traders were generally unimpressed by Mr. Richmond's claims. "There seems to be nothing objectionable in Brazil trying to maximise its earnings from coffee exports even if this involved a certain amount of supply management," one dealer observed.

It was also noted that the Angola and El Salvador purchasing missions had been widely reported at the time, though Brazilian claims that the coffee was needed for local soluble production were generally taken "with a pinch of salt."

Nevertheless, yesterday's Congressional hearing resulted in a sharp sell-off on the London market, the first decline for a week. After climbing to £3,440 a tonne at one stage the May futures position fell to £3,300 a tonne before closing £62.5 down on the day at £3,321.5 a tonne.

Coffee market sources said a reaction had been widely expected following the recent sustained upsurge and the evidence at the Congressional hearing appears to have provided the necessary trigger.

One dealer suggested there was still room for further substantial falls in view of the size of the previous rise. "A £300-a-tonne reaction would not be unreasonable," he said.

Mr. Julius Katz, assistant secretary for economic affairs at the State Department, later told the U.S. hearing that "to the best of our knowledge" no coffee producing country is pursuing policies which restrict or inhibit the export of coffee to world markets.

Farm prices 'sacrifice' urged

BY PETER BULLEN

FARMERS WERE exhorted to play down their demands for higher prices yesterday by Mr. John Silkin, Minister of Agriculture.

He told farmers at Market Harborough that in its determination to curb inflation the Government had to restrain food price increases in the interests of the whole country.

Some price increases were inevitable, including imported food from third countries and the transitional increases involved in Common Market membership. These transitional increases alone would add 12p a pound on butter, and 5p a pound on cheese prices by the end of 1977.

"We all want a prosperous and expanding British agriculture. But this does not mean more price rises when they can be avoided," he said.

"Patriotism has its disciplines as well as its rewards. Britain's agriculture and the people who work in it must expect to share in sacrifices with the rest of the country. Nobody can opt out."

Price increases which might have been perfectly reasonable and defensible in normal circumstances may need to be held up these days in the national interest the Minister added. Nor was a policy of restraint necessarily against farmers' interests.

"Sky-high prices lead to a drop in consumption and often to changes in taste which can be lasting. Look how rises in potato prices have led to an increase in the consumption of imported products like rice and pasta."

Increases sought in U.S.

WASHINGTON, Feb. 22.

SENATOR GEORGE McGOVERN has introduced a one-year Farm Bill calling for higher target prices and loan levels than those proposed in Senator Herman Talmadge's Bill, reports Reuter.

The McGovern Bill would set the target price for wheat at $3.55 per bushel and maize at $2.52. The loan levels would be no less than 85 per cent. of the target prices and would be applicable for only the 1977 crop year, the Senator said in a statement.

Under the Talmadge Bill, on which the House and Senate agriculture committees are now holding hearings, the target price for wheat would be $2.91 and for maize $2.18.

Big sugar stock rise forecast

By Our Commodities Editor

WORLD SUGAR stocks are expected to rise by over 4m. tonnes to 24,487,000 tonnes when the current 1976-77 season ends on August 31 this year, according to an estimate announced yesterday by sugar statistician, F. O. Licht.

He forecast that world production would rise to 87,627,000 tonnes, against 82,869,000 tonnes in 1975-76, more than outstripping higher consumption put at 83,246,000 compared with 80,015,000 tonnes previously.

The forecast of a slightly bigger surplus than had generally been anticipated added to the gloom of the London market where values eased again yesterday, with distant positions moving to life of contract low levels.

The London daily price for raw sugar was cut by £2 to £122 a tonne, and the May position on the futures market closed near the low of the day at £125.70.

Meanwhile, a forecast that the present world sugar surplus may not disappear before 1979 was made by Mr. David Clatworthy, partner of the London brokers E. D. and F. Man.

Speaking at a conference in Manila, Philippines, Mr. Clatworthy thought it unlikely that the International Sugar Council could reintroduce regulatory export quotas before the surplus supply was removed.

U.S. likely to release more surplus tin

MR. PETER LAI, International Tin Council chairman, said in London yesterday that he had not changed his long-held view that the U.S. will eventually release more surplus tin from its stockpile.

The reiteration of the ITC's chairman's previously reported belief in a metal trade publication unsettled tin in early trading on the London Metal Exchange.

However, Mr. Lai told Reuters he had no direct or fresh information from the Carter Administration but expected it would seek authority to sell tin and help fill the estimated deficit of some 20,000 tonnes in world production this year.

This is a natural development from the failure last year of the Ford Administration to get Congress to approve a stockpile release Bill which included tin, he stated.

Reuter

NEW ZEALAND LAMB

Battle to maintain prices in U.K.

BY DAI HAYWARD IN WELLINGTON

THE New Zealand Meat Board has a war chest of over $NZ90m. it can throw into the battle to maintain prices of New Zealand lamb in the U.K. by buying up lamb stocks when prices drop and reselling when prices rise.

The Board will be a reluctant trader. It would prefer not to buy any lamb at all but believes its willingness to do so is the only way to maintain what it considers are reasonable and realistic Smithfield prices.

Smithfield has an importance to New Zealand and to its farmers far greater than the actual amount of lamb passing through that market would suggest. All prices paid by meat exporters to farmers for their lamb are based on current Smithfield price. This is set every week so a drop on Smithfield means a drop in income for all NZ farmers.

Smithfield prices also determine the prices offered by meat importers in other world markets. These look to U.K. Smithfield prices in negotiating deals. So while actual tonnage of New Zealand lamb sold on Smithfield is not significant when compared to its total exports the quoted Smithfield price is very significant and important.

When prices slumped by 10p in just over two weeks, results for New Zealand's vital export earnings were gloomy. The Board believed the drop was not justified because although lamb shipments have crowded each other during first weeks of this year it is reported that only about 17,000 tonnes of New Zealand lamb were actually in store last week.

Formalities

However, another 50,000 tonnes were in ships en-route to U.K. and this would have sent prices down further. The Board decided it had to take some action and the setting up of a company to start trading in lamb seemed the most effective.

Details were worked out, the company acquired, legal formalities completed and British meat trade informed in less than two weeks.

The Board believes meat companies have taken advantage of the situation at New Zealand's expense. It was encouraged to go into direct competion if necessary by the success of its mutton marketing venture two years ago. Then when exporting companies would only offer what the Board and farmers considered to be too low a price to the producer, the Board took over the marketing of mutton exports.

It acquired the meat and accepted responsibility for marketing. It paid companies an agreed fee for processing. At end of season the Board had made a profit on mutton sales thus justifying its claim that prices had not been warranted. There have been some among New Zealand farmers and politicians who have used the mutton exercise to argue that the Meat Board should do more direct marketing of its most valuable export earner. Now the Board is willing to do just this.

No doubt Meat Board members who are elected by sheep farmers with two Government appointees have been encouraged to consider direct buying and selling by example of the New Zealand Wool Marketing Commission over past few years. The Commission has operated a scheme to maintain floor prices and higher market price for growers. At times the Commission has been prepared to buy in and stockpile large quantities of wool but has always sold these eventually at a considerable profit.

Although U.K. prices for New Zealand lamb reached high levels late last year and at the new year the Board is quick to point out that so have costs. These have sky-rocketed over the past two years. Although it does not say so publicly the Board is also aware that British butchers have done very well out of this lamb during past year or so.

More New Zealand lamb has given the British meat trade an extremely good mark up when compared to beef and pork and at the same time has still provided the British housewife with meat at much lower price than housewives in other EEC countriese have to pay.

Despite much publicised efforts to increase NZ lamb exports to other countries Britain still remains the most important customer taking more than half of all lamb shipments. This will remain for many years to come.

Although the Board would prefer not to compete directly with trade in buying and selling NZ lamb it will do so without hesitation if Smithfield prices drops below what it regards as the floor price. The Board makes this abundantly clear. If it has to buy it will do so firmly.

In Whitehall, the New Zealand producers' move has created some unease, writes Peter Bullen. At present there seems little the Government can object to as the action can be regarded purely as a commercial move to phase supplies to the market to prevent unnecessarily severe price fluctuations.

But should it go beyond this, however, leading to an artificial market situation preventing consumers benefiting from normal price decreases closer Government scrutiny would appear inevitable.

Competition

The setting up of a trading company so that it can buy and sell lamb in direct competition with established meat companies means that after 55 years the Board is able—and willing—to operate in a way the man who first conceived the idea of the Meat Board wanted it to. The Prime Minister Mr. William Massey who initiated the idea of the Board and who guided it into existence intended it should sell lamb in direct competition. However, by the time it came into existence many of the ill effects being suffered by New Zealand lamb producers were being rectified. The very threat of the Board's existence and the powers it was given was sufficient to achieve its aims.

More than once since then the threat to use these powers has been sufficient to achieve its purpose without the Board actually having to use them. Now it seems this has changed although the announcement of its plans and intention to trade in lamb had an immediate firming effect on New Zealand lamb prices at Smithfield.

Perhaps once again the threat and action to show the threat was not just a bluff may be sufficient to keep the Board out of direct buying and selling. This would mean the Board would be active only in its traditional roles—organising shipping, grading and maintaining quality and promotion of New Zealand lamb to help the exporters—the very people with whom it is now willing to enter into direct competition.

OMMODITY MARKET REPORTS AND PRICES

E METALS

—Moved narrowly on the etal Exchange in a market stimulus and receiving no from the reopened U.S. ex- Forward metal traded in the range throughout the day, ned steadily but turned quiet r buying deterred out. The e Kerb was £864.5. Turnover es.

lated Metal Trading reported morning cash wirebars traded 5, three months £863, 2, 2.5, 3, Cathodes: three months £834.

a.m. Official	+ or —	p.m. Unofficial	+ or —
£	£	£	£
832.5-3	+.75	834.3.5	+1.6
862.3-3	+1	864-5	+1.75
833.3	+.5	—	......
805-6	+2	885.5-6.6	+1.25
834.5-3	+2	855-.5	+2.25
826	+2	—	......
—	......	66.6	......

54.5, 55. Kerbs: three months £864, 64.5. Afternoon: Wirebars cash £853, three months £863, 64.5, 65, 64, 64.5. Kerbs: three months £864, 64.5.

TIN—Lower but the market was quiet as the subdued conditions of Monday continued. The East was slightly lower overnight and forward metal opened in London at £6,200. Hedge selling and nervous bull liquidation caused a fall to £6,160, but after that there was greater steadiness and the price moved around £6,150 before closing on the Kerb at £6,190. Turnover 1,155 tonnes.

Morning: three months £6,165, 70, 75, 80. Kerbs: Standard three months £6,185, 80. Afternoon: Standard cash £6,040, three months £6,190, 85, 90. Kerbs: Standard early March £6,110, three months £6,195, 90.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6030-40	-57.5	6040-6	-40
3 months	6180-90	-47.5	6190-3	-40
Settlement	6040	-55	—	......
Standard				
Cash	6030-40	-57.5	6040-6	-40
3 months	6180-90	-47.5	6180-3	-40
Settlement	6040	-55	—	......
Straits E.	$1358	-5	—	......
New York	—	......	—	......

LEAD—Drifted in quiet trading. Forward metal opened at £408, lost some ground and then steadied. The market lacked direction and the buying demand that has been a recent feature of the market was absent. The closing price on the Kerb was £409. Turnover 5,400 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	387-8	-8.5	390-400	-4
3 months	407-.5	-6.5	400-.5	-1.81
Settlement	398	-8.5	—	......
N.Y. Spot	—	......	26½-28	......

Morning: three months £408, 08.5, 08, 07.5, 07. Kerbs: three months £407, 07.5, 08.5, 08, 07.5. Afternoon: cash £400, three months £409, 09.5. Kerbs: three months £409, 08.5, 09.

ZINC—Little changed after a subdued day's trading in a market lacking any fresh stimulus. Forward metal moved in a very narrow range, opening at £431, easing slightly and then reverting to its former level by the close on the Kerb. Turnover 2,150 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	412.5-4.5	3.25	414.5-15	-1.25
3 months	428-30	5.25	431-.5	-.5
Settlement	414.5	-3	—	......
Prim. West	—	......	37	......

Morning: three months £430, 30.5, 31, 30.5, 30. Kerbs: three months £430. Afternoon: three months £431. Kerbs: three months £431.

* Cents per pound. † On previous unofficial close. ‡ $M per picul.

SILVER

Silver was fixed 0.25p an ounce higher for spot delivery in the London bullion market yesterday, at 267.3p. U.S. cent equivalents of the fixing levels were: spot 456.1c, up 1.1c; three-month 461.3c, up 1.1c; six-month 467.9c, up 1.5c; and 12-month 482.8c, up 1.5c. The metal opened at 267-268p (455-457c) and closed at 266.6-267.6p (455-457c).

SILVER per troy oz.	Bullion fixing prices	+ or —	L.M.E. close	+ or —
Spot	267.3p	+0.25	267.1p	0.75
3 months	276.1p	+0.4	278.75p	-0.55
6 months	285.2p	+0.4	—	......
7 months	—	......	288p	-0.75
12 months	303p	+0.4	—	......

LME—Turnover 187 (148) lots of 10,000 ozs. Morning: Three months 276.3, 4.7, 0.6, 6.7, 6.6. Kerbs: Three months 276.8, 6.7, 6.6. Afternoon: Three months 278.3, 5.8. Kerbs: Three months 275.9, 5.7, 5.8.

COCOA

The market made a limit advance early in the day, remaining steady until late afternoon when, in featureless conditions, values eased to close in the middle of the day's range, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
No. 3 Contract			
March	2326.0-33.0	+29.25	2389.0-295.5
May	2300.0-02.0	+52.5	2344.0-267.0
July	2255.5-57.0	+55.25	2292.0-26.0
September	2196.5-96.0	+32.25	2240.0-170.0
December	2066.0-67.0	+08.25	2100.0-026.0
March	2005.0-08.0	+34.0	2048.0-395.0
May	1955.0-60.0	+45.75	1990.0-45.0

Sales: 6,416 (4,150) lots of 10 tonnes.

GRAINS

THE BALTIC—Business remained extremely quiet in a virtually unchanged grain market.

Wheat: Canadian Western Red Spring No. 1 13½ per cent. June-July £86.40 Tilbury. U.S. Dark Northern Spring No. 2 14 per cent. Feb.-Mid-March £85.00, April-May £88.50, June £89.60, July £94.40 transhipment East Coast. Argentine Milling March £77.05, April £78.65 transhipment East Coast. EEC Feed March £80.00, April-June £83.00 East Coast.

Maize—No. 3 Yellow American-French Feb.-March £83.50 East Coast.

Barley—EEC Feed-Canadian Feb.-first half March £82.70, second half March £83.20, April £83.70 East Coast.

LONDON GRAIN FUTURES MARKET (GAFTA)—Wheat, steady. Close: March 86.10, May 89.35, Sept. 92.20, Nov. 95.15, Jan. 98.10. Business: March 86.30-85.75, May 89.60-89.15, Sept. 92.25-92.10, Nov. 95.30-94.95, Jan. 98.10. Sales: 180. Barley, steady. Close: March 80.90, May 84.20, Sept. 89.15, Nov. 91.10, Jan. 94.60. Business: March 81.10-80.60, May 84.40-83.95, Sept. 88.15-87.95, Nov. 91.10-91.00, Jan. 94.00-93.90. Sales: 179.

HGCA—Location ex-farm spot prices: Other milling wheat: Berks and Oxon £86.25. Feed wheat: Berks and Oxon £84.85. Feed barley: NE England £81.05, Berks and Oxon £84.00.

The U.K. monetary coefficient for the week beginning February 28 is expected to remain unchanged.

EEC DAILY IMPORT LEVIES and premiums are effective to-day in order current levy plus March, April and May premiums, with previous in brackets, all in units of account per tonne—Common Wheat: unav., rest nil (80.22, rest nil). Durum wheat: Unav., 0.65, 0.65, 3.51 (123.62, 0.65, 0.65, 3.51). Rye: Unav., nil, nil, 4.54 (60.01, nil, nil, 3.50). Barley: Unav., rest 0.76 (38.73, rest 1.14). Oats: Unav., 0.8, 0.30, 4.10 (36.72, nil, nil, 4.58). Maize (other than hybrid for seeding): Unav., 2.28, 2.28, 3.84 (48.92, 5.04, 3.04, 3.80). Buckwheat: Unav., rest nil (all nil). Millet: Unav., rest nil (56.44, rest nil). Grain sorghum: Unav., 0.38, 0.38, 2.09 (57.96, 0.38, 0.38, 2.09). Also for flours: Wheat or mixed wheat and rye: Unav. (123.91). Rye: Unav. (95.68).

COFFEE

London opened steady in thin conditions and moved further ahead into new high ground, reports Drexel Burnham. Reports suggesting that the Washington Congressional inquiry into the price level of coffee was discussing possible evidence that Brazil had attempted to hold coffee prices at an artificially high level had an immediate bear effect on the market in the afternoon. Prices fell dramatically as the initial trade selling triggered off further profit taking and stop loss selling.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
March	3305-310	-75.0	3455-298
May	3318-325	-62.5	3440-300
July	3300-304	-86.5	3445-280
September	3301-294	-125.0	3465-292
November	3290-308	-125.5	3485-286
January	3306-315	-121.0	3495-295

Sales: 7,645 (10,055) lots of 5 tonnes.

There were no ICO indicator prices for February 21 because of U.S. public holiday.

RUBBER

QUIET opening on the physical market. Uncertain throughout the day, closing on a slightly easier note. Lewis and Peat reported a Malaysian godown price of 205½ (same) cents a kilo (buyer, March).

No. 1 R.S.S.	Yesterday's close	Previous close	Business Done
March	55.00-56.50	55.10-55.25	55.78
April	56.00-57.00	56.80-56.85	—
Apr-Jne	57.25-58.50	58.60-58.55	58.60
Jly-Sep	61.80-61.90	62.40-62.45	62.10-61.65
Oct-Dec	65.65-65.75	68.30-68.35	66.35-65.70
Jan-Mar	68.25-68.65	68.90-69.00	69.80-68.25
Apr-Jne	69.50-69.80	70.40-70.50	70.30-69.80
Jly-Sep	71.25-73.20	71.70-71.75	72.25
Oct-Dec	73.25-73.50	73.60-74.00	73.30

Sales: 145 (171) lots of 15 tonnes.

Physical closing prices (buyer) were: Spot 53p (53.5); March 51.75p (52.3); April 53p (53.5).

SOYABEAN MEAL

The market opened unchanged and stayed at these levels throughout the day. The physical market on the Continent was depressed, and Chicago eased slightly from the opening, SNW Commodities reports.

	Yesterday Close	+ or —	Business Done
	£ per tonne		
April	157.30-57.7	+0.05	157.40-57.20
June	158.60-58.9	......	158.70-58.30
August	158.60-58.9	-0.05	158.90-58.30
October	156.40-56.7	-0.20	158.50
December	152.70-52.9	-0.80	152.90-52.30
February	152.70-53.7	+0.45	—

Sales: 61 (92) lots of 100 tonnes.

JUTE

DUNDEE—Quiet. Prices c and f U.K. for Feb.-March shipment BWC £241, BWD £238. Tossa BTB £235, BTC £242, BTD £234. Calcutta goods steady. Quotations c and f U.K. for Feb. shipment 10-oz., 40-inch £8.48, 7½-oz £6.40 per 100 yards. March £8.51 and £6.50; April-June £8.79 and £6.62. B twills £27.67, £27.67 and £27.65 for the respective shipment periods. Yarn and cloth very firm.

LONDON—Steady. Bangladesh White "C" grade Feb.-March $426, "D" grade Feb.-March $403 a long ton.

CALCUTTA—Steady. Indian spot Rs.535.00, Dundee Tossa Four spot Rs.535.00 values, a bale of 400 lbs.

SUGAR

LONDON DAILY PRICE (raw sugar) £122.00 (£124.00) a tonne cif for Feb.-March-April shipment. White sugar daily price was fixed at £136.00 (£138.00).

After opening unchanged, the market was unable to absorb renewed long liquidation and prices drifted down over the day although closing levels were slightly above the low points, reports C. Czarnikow.

Sugar Pref. Comm. Conn.	Yesterday's Close	Previous Close	Business Done
	£ per tonne		
March	123.00-20.80	124.00-24.25	125.75-22.25
May	125.65-25.75	127.85-27.15	127.50-25.50
Aug	128.25-28.45	129.00-29.15	129.25-27.75
Oct	131.15-31.50	131.55-31.75	131.75-30.10
Dec	136.50-35.70	134.25-34.50	134.80-32.50
March	137.50-37.70	137.50-37.75	138.00-36.50
May	138.00-40.10	138.00-40.00	138.00

Sales: 3,453 (3,041) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis: white sugar was £224.00 (same) a ton for home trade and £190.00 (£192.00) for export.

EEC IMPORT LEVIES for denatured and non-denatured sugar effective to-day, in units of account per 100 kilos (previous in brackets): White: 30.42 (29.05). Raw: 17.55 (17.29).

WOOL FUTURES

LONDON—Trading concentrated in near months with sellers retreating towards close when market showed marginal rise, reports Bache Halsey Stuart.

Australian Greasy Wool	Yesterday's Close	+ or —	Business Done
March	231.0-34.0	+2.25	233.0-30.0
May	238.0-41.0	+2.56	235.3
July	245.5-48.0	+1.50	246.0-43.3
October	252.5-54.0	—	251.3
December	257.0-62.0	+5.75	253.3
March	261.0-64.5	+2.25	261.0-38.6
May	265.0-69.0	+0.50	—
July	264.0-72.0	+1.05	—

Sales: 105 (61) lots of 1,000 kilos.

SYDNEY GREASY (in order buyer, seller, business, sales): March 341.0-342.0, 342.0-341.0, 68; May 347.5-348.5, 348.5-346.5, 79. Total sales: 147. Micron Contract: July 352.5-353.0, 353.5-352.0, 86; Oct. 354.6-354.8, 355.0-354.5, 38; Dec. 355.0-355.2, 355.5-354.8, 55; March 360.5-361.0, 361.5, 360.0, 48; May 361.5-361.8, 362.0-358.5, 35; July 362.7-363.0, 363.5-362.2, 89. Total sales: 325.

MEAT/VEGETABLES

SMITHFIELD (pence per pound)—Beef: Scotch killed sides 44.0 to 48.0; Ulster hindquarters 51.0 to 53.0, forequarters 31.0 to 36.0; Eire hindquarters 49.0 to 52.0, forequarters 33.5 to 35.0. Veal: English fats 42.0 to 54.0; Dutch hinds and ends 56.0 to 66.0. Lamb: English small 44.0 to 55.0, medium 53.0 to 59.0, heavy 50.0 to 54.0; Scotch medium 53.0 to 55.0, heavy 50.0 to 54.5. Imported frozen: New Zealand PL (new season) 42.0 to 43.0, PM (new season) 42.0 to 44.0. Pork: English, under 100 lb 38.0 to 37.0, 100-120 lb 30 to 35.0, 120-160 lb 29.0 to 34.0.

MEAT COMMISSION—Average fatstock prices at representative markets on Feb. 22. GB cattle 56.64p per kg lw (−1.15). U.K. sheep 137.5p per kg est dcw (−1.4). GB pigs 48.00 per kg lw (+1.0). England and Wales: Cattle numbers up 11.6 per cent., average price 55.89p (−0.90); Sheep up 5.3, 137.9p (−2.1); Pigs down 14.6, 48.4p (+1.0). Scotland: Cattle down 11.3, 56.26p (−1.58); Sheep up 13.9, 135.8p (+5.1); Pigs down 9.0, 51.3p (no change).

COVENT GARDEN (prices in sterling)—Imported produce: Oranges—Spanish: Novels/Navelinas 3.30-3.40; Jaffa: Shamouti 3.35-4.10; Egyptian: 2.70; Cypriot: Ovals 2.80-3.40; Moroccan: 2.80-3.20. Mandarines—Spanish: 2.70-2.80, Satsumas 2.80-3.00. Lemons—Italian: 2.20-2.80; Cypriot: 1.80-3.30; Jaffa: 3.10-3.60. Grapefruit—Jaffa: 2.55-3.40; Cypriot: 2.00-2.20, boxes 2.20-2.30. Plums—S. African: per lb Wickson 0.24-0.35; Gaviota 0.35-0.38; Red Ace 0.33; Harry Pickstone 0.38-0.40. Grapes—Spanish: Almeria 4.50; S. African: Queen of the Vineyard 5.50, Alphonse 73.00. Dates—Algerian: 0.30-0.35; Tunisian: 0.32-0.34. Apples—French: Golden Delicious 1.95-2.50, Stark Crimson 2.00-2.40, Granny Smith 3.20-3.50; Italian: per pound, Starking 0.09, Romes 0.00, Belforts 0.08; Tyrolean: Starking, cellpack 0.10; Hungarian: 40 lb Starking 5.00. Pears—per pound Italian: Passacrassane 1.46; S. African: Clapp's Favourite 34 lb 4.20, Williams Bon Chretien cartons 6.50. Tomatoes—Canary 2.50-3.30. Onions—Spanish: 6.00-7.00; American: 5.90-6.40; Polish: 5.80; S. African: 20 kilos 2.20-2.40. Cucumbers—Canary: per 10/16 prepacked 2.40-3.60; Dutch, 3.40-3.60. Celery—Israeli: Prepacked 4.00; Spanish 3.00-5.30. Lettuces—Dutch: 24 3.60. Potatoes—Canary: 12½ kg, 2.75, 25 kg, 5.30. Single Cross 25 kg 4.60; Cypriot: 7.20; Majorcan: 4.50; Egyptian: 5.20. Cauliflowers—Jersey: 24 5.70; French: 24 5.30-5.50.

English produce: Apples—per pound Bramley's Seedling 0.07-0.12, Cox's Orange Pippin 0.10-0.16. Pears—per pound Conference 0.15-0.14, Comice 0.12-0.14. Potatoes—per bag 4.50-5.00. Carrots—per net 12½ kg 1.60-2.80. Lettuces—per 12, round 1.30-1.00. Cabbages—per net 5.00-3.50. Spring greens—per net 5.00-3.50. Cauliflowers—per 12 2.50; 18 2.00. Swedes—per 28 lb. Devon 1.20, Scotch 5.00. Parsnips—per 28 lb 1.00-1.80. Mushrooms—per pound 0.35-0.40. Rhubarb—per pound 0.16-0.17. Onions—per 25 kg 4.30-5.30. Cucumbers—per box 12 to 30 3.30-4.20.

COTTON

COTTON—Liverpool: Spot and shipment sales amounted to 366 tonnes, bringing the total for the week so far to 550 tonnes, reports F. W. Tattersalls. Renewed pressure for supplies of certain Middle Eastern and South American growths was the major feature. Spinner interest ranged over various American type qualities.

★

GRIMSBY FISH—Supply fair, demand good. Prices per stone at ship's side (unprocessed): Shelf cod £2.90-£3.50, codlings £2.20-£3.00; large haddock £3.60-£3.90, medium £3.00-£3.70, small £2.20-£2.80; large plaice £3.00, medium £2.60-£3.00, best small £2.30-£2.90; large skinned dogfish £5.00, medium £4.80; rockfish £2.20-£2.50; reds £1.80; saithe £1.90-£2.60.

★

COPRA, Philippines—March to May $410 reseller per tonne, cif North Euro ports.

PROSPECTS GOOD FOR HONG KONG COTTON MARKET

BRUSSELS, Feb. 22.

The proposed Hong Kong cotton futures market should lead to strong arbitrage between New York and Hong Kong and stands a good chance of success, Mr. Eugene Grummer, head of the international commodities division at Merrill Lynch International Inc., said.

However, Mr. Grummer told a commodities conference here plans for New Orleans to open a cotton futures market will not get off the ground.

Hong Kong, which is scheduled to open next month, will benefit from the time difference from New York, he added.

SOYABEAN STOCKS WARNING IN U.S.

Any abnormal weather patterns this year could have a very dramatic impact on the U.S. soyabeans complex futures market, Mr. Alan Draper of commodity traders J. H. Rayner and Co. warned yesterday, reports Reuter.

In remarks prepared for the European-American commodities conference in London yesterday, he noted this is likely because of the potentially explosive situation surrounding U.S. soyabean stocks.

These are estimated at 52m. bushels compared with the lowest stock level of the past ten years of 59.5m. bushels in 1953.

PRICE CHANGES

Prices per ton unless otherwise stated

	Feb. 22 1977	+ or —	Month ago
Metals			
Aluminium	£640	......	£630
Free Market (cif)	$955-87		$930-960
Copper			
Cash Wire Bars	£854.75	+1.5	£839.75
3 months do. do.	£864.25	+1.75	£870.75
Cash Cathode	£826	+1.25	£888.5
3 months do. do.	£856.25	+2.25	£870.75
Gold Troy oz.	$137.875	+0.25	$134.125
Lead Cash	£393.5	-4	£340.5
3 months	£409.25	-1.625	£350.5
Nickel	3.138	......	£3,414
Free Market (cif) (lb)	$2.0-2.16	-0.05	$1.98-2.1
Platinum troy oz.	£87	..	£97-102.5
Free Market	£94.7	+0.15	£94.8
Quicksilver (76lb)	$175-205	......	$156-185
Silver Troy oz.	267.3p	+0.25	260.6p
3 months	278.1p	+0.4	269.4p
Tin Cash	£6,042.5	-40	£2,417.5
3 months	£6,182.5	-40	£3,626.5
Wolfram 22.04lb cif	$172-174		$155-160
Zinc Cash	£414.75	-1.25	£415
3 months	£431.25	-0.5	£429.25
Producers	$795	......	$795
Oils			
Coconut Malayan		......	
Groundnut	£670	-1	£567
Linseed Crude		......	£470
Palm Malayan	$618½	+3	
Soyabean			
Seeds			
Copra Philip	$410w	......	$376
Groundnut Nigerian		......	
Linseed Can. No. 1	£193.8q	-0.65	£193.3
Grains			
Barley EEC	£88.7r	......	
Home Futures	£80.8s	+0.5	£84.45
Maize			
French No. 3 Am.	£83.5r	......	£84.75
S.A. Yellow			
Wheat			
No. 1 Red Spring	£88.4A	......	
No. 2 Hard Winter		......	
Australian (f.a.q.)			
English Milling	£89.5	......	£89
Cocoa Shipment	£3,446	+43	£2,541.5
Futures May	£2,301	+32.5	£2,827
Coffee Futures May	£3,321.5	-62.5	£2,644
Cotton 'A' Index	84.7	......	79.35
Jute UABWC	$420	......	$437
Rubber	55	-0.5	54
Sisal EA	600	......	$600
Sugar (Raw)	£128	8	£130
Wooltops 64s	239p	......	
Cloves (Madagascar)	$3,000	......	$5,000
Copper White	£2,600	......	£2,405
Black	£2,625	......	$2,150

* Nominal. † Seller. ‡ Unquoted. § On official close. ⁂ Indicative price o Seller's quotation. o U.K. and Commonwealth refined c Uganda Robusta standard grade indicative prices f.o.b. Mombasa. ¶ U.S. cents a pound. ¶ Bangladesh white "C". h June-July. i Jan.-March. j April-June. k March-April. q April-May. r Feb.-March. u Metric tons. w March.

FINANCIAL TIMES

Feb. 22	Feb. 21	Month ago	Year ago
271.85	273.78	261.94	193.86

(Base: July 1, 1952=100)

REUTER'S

Feb. 22	Feb. 21	Month ago	Year ago
1630.9	1642.0	1612.7	1234.6

(Base: September 18, 1931=100)

DOW JONES

Dow Jones	Feb. 22	Feb. 21	Month ago	Year ago
Spot	386.61	398.1	390.3	363.2
Futures	394.45	393.58	381.16	307.20

(Average 1924-25-26=100)

MOODY'S

Moody's	Feb. 22	Feb. 21	Month ago	Year ago
Spot Commod.	913.9	908.1	890.5	785.2

(December 31, 1931=100)

★

HIDES—Birmingham. Generally steady to firmer. Ox 31-35½ kilos 38p per kilo. 26-30½ kilos 51.7p. 22-25½ kilos 72p. Light cows 71p. No calf offered.

U.S. Markets

NEW YORK, Feb. 22.

Cocoa—Ghana spot 182½ (same). Bahia spot 182½ (same). March 166.75 (160.15), May 165.60 (164.65), July 160.25, Sept. 156.15, Dec. 145.85 nom., March 140.35 nom., May 135.75 nom., July 131.45 nom. Sales: 1,746.

Coffee—"C" Contract: March 249.50-249.75 (251.90), May 254.60-254.40 (252.60), July 254.75-255.25, Sept. 256.33, Dec. 253.54, March 251.47-251.65. Sales: 1,746.

Copper—Feb. 65.00 (65.00), March 65.00 (65.00), April 65.40, May 67.00, July 68.00, Sept. 69.00, Dec. 70.00, Jan. 70.40, March 71.10. Sales: 6,000.

Cotton—No. 2: March 76.15-76.35 (77.34), May 76.10-76.20 (77.10), July 76.20, Oct. 73.26, Dec. 69.10-69.20, March 69.45-69.60, May 69.65-69.90, July 69.75-70.25. Sales: 3,850.

¶Gold—Feb. 139.20 (137.70), March 139.50 (130.00), April 130.80, June 141.00, Aug. 142.30, Oct. 143.00, Dec. 144.90, Feb. 146.20, April 147.00, June 149.00. Sales: 3,606.

†Lard—Chicago loose 22.00 (same). New York prime steam 23.50 traded (same).

††Maize—March 256½-256½ (259), May 263½-263½ (265½), July 269-268½, Sept. 272-272½, Dec. 274½-275, March 280-280½.

‡Platinum—April 163.50 (162.40), July 166.20 (165.00), Oct. 168.70, Jan. 172.40, April 175.30, July 177.50. Sales: 410.

‡‡Silver—Spot 455.00 (453.50), Feb. 455.50 (453.30), March 455.50 (453.30), April 458.00, May 460.50, July 465.30, Sept. 470.10, Dec. 477.40, Jan. 479.90, March 484.80, May 489.60. Sales: 8,500.

*Soyabeans—March 742-742½ (745), May 748½-748 (751), July 749½-750, Aug. 744½, Sept. 715, Nov. 697½-697, Jan. 702, March 707, May 711.

Soyabean Oil—March 22.65-22.63 (22.78), May 22.88-22.95 (23.10), July 23.24-23.25, Aug. 23.27, Sept. 23.28-23.30, Oct. 23.30-23.28, Dec. 23.17-23.15, Jan. 23.15-23.20, March 23.30, May 23.35-23.45.

bSoyabean Meal—March 213.70-213.90 (214.50), May 216.80-216.90 (217.40), July 218.40-218.20, Aug. 217.60-217.50, Sept. 209.00-209.50, Oct. 196.50, Dec. 197.00-197.50, Jan. 197.50-196.00, March 195.00-195.50, May 195.50-195.00.

Sugar—No. 11: Spot 8.30 (8.50), March 8.25-8.27 (8.26), May 8.51-8.52 (8.51), July 8.61-8.64, Sept. 8.65-8.63, Oct. 8.70, Jan. 8.90-8.95, March 8.96-8.97, May 8.98-8.96, July 9.00. Sales: 5,525.

Tin—473.00-485.00 asked (475.00-485.00 asked).

**Wheat—March 282-281½ (286½), May 290½-290½ (295), July 297½-298, Sept. 304½, Dec. 314½-314½, March 322½.

WINNIPEG, Feb. 22. ¶Rye—May 102.50 bid (102.50 bid), July 103.40 asked (103.30), Oct. 103.50 bid, Nov. 102.50 bid.

cOats—May 84.50 (85.70), July 82.50 asked (84.00), Oct. 85.40 nom.

§Barley—May 93.70 (93.50), July 94.00 asked (94.00 asked), Oct. 94.00.

dFlaxseed—May 296.20 bid (298.00 bid), July 296.10 asked (298.00 asked), Oct. 281.30 asked, Nov. 281.30 asked.

Wheat—SCWRS 13.5 per cent. protein content cif St. Lawrence 385½ (365).

All cents per pound ex-warehouse unless otherwise stated. * Cents per 60-lb bushel ex-warehouse. ⁂ $'s per troy ounce—100-ounce lots. † Chicago loose $'s per 100 lbs—Dept. of Ag. prices previous day. Prime steam f.o.b. NY bulk tank cars. ‡ Cents per troy ounce ex-warehouse. b New "B" contract in $'s a short ton for bulk lots of 100 short tons delivered f.o.b. cars Chicago, Toledo, St. Louis and Alton. ‡‡ $'s per troy ounce for 50-ounce units of 99.9 per cent. purity delivered NY. ** Cents per 60-lb bushel in store. †† Cents per 56-lb bushel ex-warehouse, 5,000 bushel lots. c Cents per 24-lb bushel. § Cents per 48-lb bushel ex-warehouse, 5,000 bushel lots. d Cents per 56-lb bushel ex-warehouse, 1,000-bushel lots.

PALM OIL

LONDON PALM OIL—A total of 13 lots were traded in a steady market. Closing price levels were slightly up, fully reflecting the continuing firm Rotterdam actuals and higher Malaysian fob market. Close: April 314-310, June 314-311, Aug. 313½-313½, Oct. 314-312½, Dec. 315-312, Feb. 315-312.

Index 01-351 3466 May Cocoa 2296-2304

PUBLIC NOTICES

GREATER LONDON COUNCIL BILLS

£35m. Bills issued 17.2.77 maturing 19.5.77 @ 11.15⅛%. Total Applications £125m. Bills outstanding £60m.

PANY ICES

INTERCOM

INTERCOMMUNALE BELGE GAZ ET D'ELECTRICITE
Société anonyme

al: Bruxelles, place du Trône 1
e du commerce de Bruxelles no. 7.637.

ard of Directors have decided ion an extraordinary general of the shareholders on April t to deliberate on a proposal ase of the capital by an of BF.3,032,895,000 so as to in BF.22,771,455,300 by and issuing 2,849,142 new

new shares will be issued at each, plus a premium to be the general meeting so that ription price does not exceed They will be offered in public ion in principle from May 23rd alk, 1977 in the proportion

,016,571 shares to owners f old shares who will be al- lied to subscribe as of right the proportion of one new hare for every five old shares 2,571 shares to members of ian.

legal quorum of presence eached on the general meet- April 10th, a second meeting e convened for Friday, 5th

oceeds of the capital increase devoted to financing a part nvestment programme of the

STOCK EXCHANGE REPORT

Equity leaders rise on small demand in thin market

Share index rallies 8.7 to 397.7—More speculative activity

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Jan. 31	Feb. 10	Feb. 11	Feb. 22
Feb. 14	Feb. 24	Feb. 25	Mar. 8
Feb. 28	Mar. 10	Mar. 11	Mar. 22

* "New time" dealings may take place from 9.30 a.m. two business days earlier.

Despite continued uncertainty about British Leyland's labour troubles, the firm undertone noticeable in stock markets on Monday made a more positive showing yesterday with leading equities rebounding on a resumption of buying which, although usually of modest size, had a disproportionate effect on prices because of the prevailing stock shortage. At yesterday's 10 a.m. calculation, the FT 30-share index had more than picked up the previous day's loss of 4 points and the rise was extended to 9.2 at 2 p.m.; thereafter, prices eased to clip the day's gain to a net 8.7 at 397.7—its highest since February 4; constituent rises ranged to 8 and occasionally more. Gilt-edged also improved and the Government Securities index, at 65.09, picked up 0.17 of Monday's loss of 0.23.

The recovery in equities embraced all sections, rises outnumbered falls in FT-quoted issues by six-to-one, and the movement left the FT-Actuaries Industrial group index up 1.9 per cent. at 154.76; lagging Oils trimmed the rise in the All-share index, 166.93, to 1.6 per cent. Electricals were good, particularly Light Electronics which made above-average gains on speculative activity following the reported remarks of the chairman of Ultra that since last Friday's bid from Dowty there has been a renewal of some of the several approaches made to the company. Activity generally increased although official markings, at 6,145, were only slightly higher than Monday's 5,811 and compared unfavourably with the week-ago level of 7,065.

Gilts rally

The stable trend in sterling gave encouragement to prospective Gilt-edged buyers and, with money again less tight than recently, the market in short-dated maturities had a much better day. A fair amount of attention centred on Treasury 9¾ per cent., 1981, which, ahead of being quoted clean to-day, rose 13/32 to 95½. Other high-coupon maturities were almost that much higher, all benefiting from a switch of emphasis away from the low-coupon stocks. The longs, although still rather quiet, generally regained the ground lost on the previous day to close with improvements extending to ⅜ among the heavier-priced issues. This week's fall in the interest rate on the latest batch of Local Authority yearling bonds naturally aroused some hope about near-term interest rate trends.

A fresh demand on arbitrage account, which mainly reflected the business in South African Gold shares, encountered circumstances similar to those prevailing over the past few days, namely a shortage of investment currency and resultantly a rather volatile market; after extremes of 107¾ and 111¾ per cent., the premium closed a further 2¼ points higher at 111¼ per cent. Yesterday's SE conversion factor was 0.7230 (0.7304).

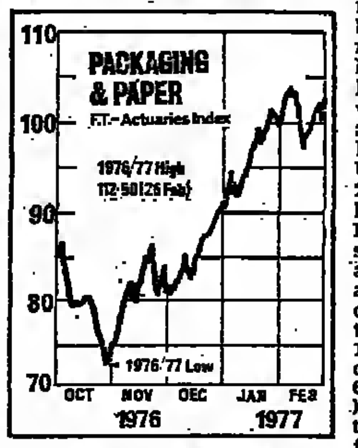
Banks quietly firm

The big four Banks took a turn for the better yesterday in line with the general trend. The volume of business was small and Barclays closed 6 better at 253p ahead of to-morrow's preliminary results. Lloyds, 208p, and National Westminster, 225p, were both similarly better but Midland ended only 3 harder at 260p, after 262p. Elsewhere, mild disappointment with the preliminary profits took Hongkong and Shanghai down to 346p before a late rally left the price at the overnight level of 349p.

Improvements of around 5 were commonplace in Insurances. Sun Alliance, 403p, and Willis Faber, 235p, both ended that much better. Eagle Star improved 3 to 115p; the latter's 4 per cent. Preference shares were marked up 7 to 46p and the 4 per cent. Second Preference 12 to 45p on the Board's announcement that it is to submit proposals for repayment of the two preference classes 45p and 50p cash respectively.

Although Breweries made a better showing than on Monday, changes were limited to a penny or two following a quiet business. Allied closed a penny better at 65p, while Whitbread A. also 65p, and Scottish and Newcastle, 50½p, both finished 1½ harder. A. Guinness hardened 2 to 132p as did Geo. Sandeman to 42p, while M. Brown rose 3 to 70p.

Buildings took part in the general market upturn. AP Cement hardened 5 to 181p and Richard Costain added 6 at 156p. Buying in thin markets prompted gains of 10 and 15 respectively in Tunnel B, 161p, and International Paint, 400p. Comment on the record profits helped Marchwiel advance 4½ more to 147p. Norwest Holst were unmoved at 89p following the reported Boardroom reshuffle.



With the preliminary results due tomorrow and with sentiment additionally helped by the record profits achieved by its subsidiary, Imperial Metal Industries, ICI touched 343p before closing a net 7 up at 342p in Chemicals. Allied Colloids improved 5 to 153p and Fisons put on 16 to 315p, while Hoechst ended 13 better at 480p.

Activity in the option market and a chart buy signal helped F. W. Woolworth spring to life in Stores with a gain of 3 to 58½p; the preliminary results are due on March 3. Elsewhere, Brown Muff followed the previous day's jump of 75 with a further 5 improvement to 160p, thus matching the cash terms offered by House of Fraser (2 better at 77p); the former's Board have advised shareholders to sit tight and not to dispose of their shares. Elys (Wimbledon) scored a speculative gain of 10 to 45p, after 55p, while British Home rose 4 to 152p as did Mothercare to 234p. Burton "A." still on hopes of early enfranchisement, put on 3 to 65p.

Ultra rise afresh

Having already risen 63 since last Friday's bid from Dowty Group (which is currently worth 150p per share) Ultra Electronics jumped 27 more to 175p, after 176p, on the Board's announcement that the company has received several other informal bid approaches over the past few months. A Press suggestion that Racal Electronics could soon launch a counter to Dowty's offer was later backed by Racal's admission that they have recently increased their shareholding in Ultra. Racal closed 4 higher at 283p; late confirmation that Racal has won control of Milgo Electronics did not unduly affect sentiment. Ultra's bid situation also sparked off a considerable amount of speculative activity in other secondary Electricals, particularly in MK which rose 10 to 128p, after 127p. Bowthorpe put on 3 to 59p and Muirhead ended 6 higher at 160p. Among the leaders, GEC, at 185p, retrieved the previous day's loss of 5 which followed opposition by the workers' union to the company's planned capital reorganisation. Thorn Ordinary and the A both improved 8 to 246p and 244p respectively.

GKN highlighted Engineering leaders and strengthened considerably to close 8 higher at 322p, after 324p. Tube Investments, the recent market leader, managed a gain of only 4 to 374p, while Hawker Siddeley were similarly dearer at 506p, after 510p. Davy International remained in favour at 187p, up 6, and Martonair extended Monday's run to-end 6 higher at 109p having been up to 113p. Stothert and Pitt were another 9 up at 125p, on what was described again as small interest in a thin market. Gains of 5 or so were made by Simon, 155p, and APV, 307p, while Blackwood Hodge achieved fresh progress to 86p, up 4; the last-named have not been particularly stable since the announcement some while ago of marked Canadian losses. More cheerful news took Imperial Metal Industries up 6 to 57p, the preliminary profits comfortably exceeding market expectations and causing sympathetic improvements in Delta Metals, 4 higher at 391p, and McKechnie Bros., which put on 3½ to 77½p. Elsewhere, International Combustion were unusually active and gained 1 to 8½p. Shipbuildings featured Vosper which, in reply to the favourable results, rose 4 to 90p.

Foods had a firm appearance following an improved business. Tate and Lyle, at 264p, recouped all of the previous day's reaction of 6 which followed the full report and accounts. Cadbury Schweppes were active and a penny better at 58p on news of its substantial advertising campaign to launch a new range of biscuits. A renewal of speculative interest in FMC left the shares 3 higher at a 1976/77 peak of 77p, while other firm spots included Associated Fisheries, 11 harder at 48p, and United Biscuits, 4 to good at 145p. On the bid front, Gateway Securities A moved up 2½ to 69p in sympathy with a rise of 5 to 222p in Linfood; the proposed merger is not to be referred to the Monopolies Commission. Hotels and Caterers found their fair share of firm spots. Trust Houses Forte rose 4 to 132p, while Grand Metropolitan, 70p, and Myddleton, 65p, put on 3 apiece. Wheeler's Restaurants continued firmly, rising another 5 to a 1976/77 peak of 115p.

BOC up

Demand in a market short of stock prompted a useful rally in the miscellaneous industrial majors yesterday. Improvements of between 8 to 10 were recorded in Unilever, 440p, Metal Box, 278p, and Glaxo, 450p, while Beecham and Turner and Newall were both 6 better at 326p and 147p respectively. Pilkington Bros. put on 7 to 300p and Trafalgar House 4 to 116p. Buying in front of to-day's first quarter figures helped BOC International harden 2 to 65p. Secondary issues garnered numerous firm features. ICL were wanted at 197p, up 10. Johnson Matthey improved 5 to 347p in front of to-day's third quarter figures and gains of 5 and 6 respectively were seen in I. C. Gas, 360p, and Powell Duffryn and Transport, 134p. Demand in a thin market lifted New Equipment 3 to 11p, while Lindustries closed a similar amount dearer at 61p. Hays Wharf rose 4 to 61p as did Security Services to 58p.

Motors were better in places despite the current labour problems facing the industry. British Leyland hardened a penny to 25p, while Rolls-Royce firmed 1½ to 83½p, the latter following the launch of the new Silver Shadow Series 2. Dunlop rebounded 4 to 83p, while Lucas Industries, 233p, and R. Stockfis, 135p, put on 8 and 10 respectively. Bluemel Bros. moved up 2 to 40p. Garages were featured by Heron Motor, which improved 5½ to 47p, while Alexanders finished a penny better at 7½p following Press comment. North Sea stocks provided the main focal points in Newspapers. Renewed speculative interest lifted Thomson 13 to a 1976/77 peak of 438p and Associated rose 9 to 175p.

Oils generally firm

Few sizeable orders were evident for Oils, but the presence of numerous small purchases in the region of a few hundred shares prompted a rally in Shell, which closed 6 higher at 504p. Tricentrol also returned to popularity after a recent quieter spell and gained 3 to 143p, while Ultramar picked up a further 4 to 158p. British Petroleum finally reverted to the overnight level of 900p, after 904p, although American inquiry did revive in the very late business. Investment currency and overseas influences caused Royal Dutch to move up 1¼ more to £44⅞. Elsewhere, Berry Wiggins again attracted speculative support, but following a rise to 35p ended only the turn harder at 34p, while Oil Exploration provided a contrast, running into profit-taking which lowered the price 4 to 87p late.

A more positive mood in the Property sector owed much to the reappearance of quality buying and less business of a speculative nature. Stock Conversion stood out with a rise of 6 to 184p, Land Securities regained 4 to 164p, after 165p, and MEPC, reflecting the letting news regarding the Frankfurt office complex, rallied 3 to 74p. English, at 43½p, up 3, retrieved all of Monday's loss and a little more, while British Land moved ahead 2½ to 35p. Bid hopes flickered again in Daejan Estates, 5 higher at 183p, after 184p, and Law Land traded freely up to 32½p for a rise of 3½p. City Offices, 43p, and Apex Securities, 13p, were both marginally harder following their respective announcement of increased annual revenue.

Gill and Duffus featured Overseas Traders with a rise of 11 to 180p. S. and W. Berisford responded to the chairman's statement on current trading at the annual meeting with an improvement of 5 to 174p.

M. and G. Holdings provided a dull feature, closing 13 cheaper at 75p on the appearance of a seller in a restricted market. Other Investment Trusts attracted better business and closed firmly on renewed institutional interest and in the absence of the recent small public sales. Recent takeover favourite London Trust Deferred were active and a penny harder at 158½p, while Caledonia Investments, 213p, BET Deferred, 77p, and British Industrial and General, 82p, all closed with modest rises. Reflecting dollar premium influences, Robeco sub-shares rose 12 more to 592p for a two-day gain of 20 and Rolinco sub-shares improved 7 to 432p for a two-day rise of 13. U.S. Trust Fund rose 25 to 865p. Financials were notable for a revival of speculative support for R. Kitchen Taylor, 2 better at 32p, and Kakuzi, 4 higher at a 1976-77 peak of 84p. Concentra Units were marked up 12 to 637p.

Shippings closed with widespread gains following an increased business. Furness-Withy moved up 5 to 237p, while P. and O. Deferred, 134p, after 137p, and Ocean Transport, 148p, put on 3 apiece. Gains of 6 were seen in Hunting Gibson, 160p, and Walter Runciman, 112p, while small buying in a restricted market lifted Stag Line 15 to 195p.

Textiles closed with a string of rises headed by Courtaulds which finished 4 better at 105p. Nova Jersey, still reflecting Press comment, hardened 2 to 161p, while similar improvements were seen in Carpets International, 63p, and Bond Worth, 18p. Lister were also popular, finishing 3 better at 27p.

Tobaccos closed on a firm note following a slightly improved turnover. Imps finished 2 harder at 71p following Press comment on the full report and accounts.

Teas provided a few firm spots in generally idle Plantations. Mcleod Russel moved up 8 to 160p and Assam Investments 2 to 71p.

Golds up again

The continuing strength of the bullion price, which was finally 25 cents higher at $137.875 per ounce prompted a further good demand for South African Gold shares. Prices improved from the outset of business owing to buying interest from Cape, Continental and local sources which was also influenced by favourable Press comment on the outlook for the metal price.

The emergence of U.S. support in late trading enabled shares to close at, or around, the day's best and was reflected in the rise in the Gold Mines index of 116.1. Also contributing to the rise was the further gain in the investment currency premium.

Heavyweight stocks improved by ¼ as in Randfontein, £2⅝, Helena, £10¼, and Western Holdings, £13, while, in the medium-priced issues, Buffels advanced to 690p. Among the marginal producers, Venterspost were another 4 higher at 124p for a two-day gain of 22.

Financials mirrored the rise in Golds. Despite the disappointing results, American put on 3 more to ... Union Corporation improved a similar amount to 187p. ... Investments rose 5 more to ... for a two-day gain of 18. Rand Selection were a similar amount better at 396p.

The revived upsurge in the UK Industrial market enabled prices of the London-registered Financials to move ahead. ... Fields were again prominent at 158p, a gain of 8, while Rio Tinto-Zinc advanced 7 to 185p in ... trading.

The firmness of the premium left the Malaysian-based Tins a few pence higher, while among the Cornish producers Geevor put on 7 to 380p ex-rights; the new shares opened and closed at 180p premium. Saint Piran opened at 93p and rose to a 1976-77 high of 96p following the scrip issue and increased dividend announcement, but subsequently eased in late trading to close unchanged on balance at 93p. Australians were mixed in idle trading.

F.T.—ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS	Tuesday, February 22, 1977: Index No.	Day's Change %
1 (1) CAPITAL GOODS (178)	162.82	+1.9
2 (2) Building Materials (31)	130.59	+2.4
3 (3) Contracting, Construction (22)	206.33	+2.1
4 (4) Electricals (16)	294.29	+2.3
5 (5) Engineering (Heavy) (12)	198.53	+2.7
6 (6) Engineering (General) (66)	140.10	+1.9
7 (7) Machine and Other Tools (9)	72.60	+1.3
8 (8) Miscellaneous (22)	130.31	+2.1
11 (9) CONSUMER GOODS (DURABLE) (53)	157.24	+2.6
12 (10) Lt. Electronics, Radio TV (15)	163.68	+2.8
13 (11) Household Goods (13)	144.43	+0.6
14 (12) Motors and Distribution (25)	88.64	+2.5
21 (13) CONSUMER GOODS (NON-DURABLE) (170)	146.25	+1.3
22 (14) Breweries (15)	156.14	+3.0
23 (15) Wines and Spirits (6)	162.60	+0.3
24 (16) Entertainment, Catering (15)	163.29	+2.4
25 (17) Food Manufacturing (21)	150.87	+1.5
26 (18) Food Retailing (17)	149.99	+1.0
32 (19) Newspapers, Publishing (16)	233.61	+2.4
33 (20) Packaging and Paper (12)	102.79	+2.2
34 (21) Stores (35)	120.76	+3.2
35 (22) Textiles (24)	140.26	+2.3
36 (23) Tobaccos (3)	201.56	+1.9
37 (24) Toys and Games (3)	82.03	+0.6
OTHER GROUPS (95)		
41 (25) Chemicals (18)	213.42	+1.6
42 (26) Office Equipment (8)	05.29	+2.4
44 (27) Shipping (10)	442.21	+2.0
45 (28) Miscellaneous (59)	163.78	+2.0
49 (29) INDUSTRIAL GROUP (496)	154.76	+1.9
51 (30) Oils (4)	479.03	+0.6
59 (31) 500 SHARE INDEX	180.56	+1.6
61 (32) FINANCIAL GROUP (100)	126.93	+1.7
62 (33) Banks (6)	147.61	+2.7
63 (34) Discount Houses (10)	162.39	-0.2
64 (35) Hire Purchase (5)	114.07	+3.5
65 (36) Insurance (Life) (10)	103.82	
66 (37) Insurance (Composite) (7)	100.65	+1.4
67 (38) Insurance Brokers (10)	252.69	+1.2
68 (39) Merchant Banks (15)	64.17	+0.5
69 (40) Property (31)	167.63	+2.3
70 (41) Miscellaneous (6)	81.69	+1.1
71 (42) Investment Trusts (50)	161.68	+0.2
81 (43) Mining Finance (4)	88.36	+3.6
91 (44) Overseas Traders (17)	241.23	+1.0
99 (45) ALL-SHARE INDEX (671)	166.93	+1.6

FIXED INTEREST

1	Consols 2½% yield
2	20-yr. Govt. Stocks (6)
3	20-yr. Red. Deb. & Loans (15)
4	Investment Trust Prefs. (15)
5	Coml. and Indl. Prefs. (20)

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1976-77 high	1976-77 low
ICI	£1	17	342	+7	402	236
GKN	£1	14	322	+8	360	203
Trafalgar House	20p	13	110	+6	115	63
BP	£1	12	900	—	950	557
RTZ	25p	10	185	+7	239	132
Shell Transport	25p	12	504	+6	524	353
BATs Defd.	25p	11	217	+2	243	183
Dunlop	50p	11	83	+4	98	57
P & O Defd.	£1	11	134	+3	138	87
BICC	50p	10	97	+4	136	70
Ultra Electronic	25p	10	175	+27	176	37
Cons. Gold Fields	25p	9	158	+8	220	113
MK Electric	25p	9	128	+10	127	59
Rank Org.	25p	9	186	+4	195	98
Bowthorpe Hldgs.	10p	8	59	+3	60	30

The above list of active stocks is based on the number of bargains recorded yesterday in the Official list and under Rule 163(1) (e)

NEW HIGHS AND LOWS FOR 1976/77

NEW HIGHS (58)

NEW LOWS (1)

OPTIONS TRADED

Calls were dealt in Lonrho, ICI, Charterhall Finance, Vosper, P. and O. Deferred, M.K. Electric, Rio Tinto-Zinc, Norwest Holst, F. W. Woolworth, Tricentrol, Hampton Areas, Bowthorpe, Intereuropean Properties, Slater Walker, Trust Houses Forte and H. Wigfall. Puts were done in Beecham and Shell Transport, while doubles were arranged in Rio Tinto-Zinc, Land Securities, Shell Transport, ICI, BOC International, Savoy "A," Premier Consolidated Oil and National Westminster Bank Warrants. Short-dated calls were dealt in ICI, M.K. Electric and F. W. Woolworth, while doubles were arranged in Land Securities, ICI, Shell Transport and BOC International.

For rate indications, see end of Share Information Service.

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Feb. 22	Mar. 7	May 19	May 31
Mar. 8	Mar. 21	Jun. 2	Jun. 21
Mar. 22	Apr. 4	Jun. 23	July 5

RISES AND FALLS

BASE LENDING RATES

A.B.N. Bank
Allied Irish Banks Ltd.
American Express Bank
Henry Ansbacher
Banco de Bilbao
Bank of Credit & Cmce.
Bank of Cyprus
Bank of N.S.W.
Banque du Rhone S.A.
Barclays Bank
Barnett Christie Ltd.
Bremar Holdings Ltd.
Brit. Bank of Mid. East
Brown Shipley
Canada Permanent AFI
Capitol C & C Fin. Ltd.
Cayzer Ltd.
Cedar Holdings
Charterhouse Japhet
C. E. Coates
Consolidated Credits
Co-operative Bank
Corinthian Securities
Credit Lyonnais
G. R. Dawes
Duncan Lawrie
Eagil Trust
English Transcont.
First London Secs.
First Nat. Fin. Corp.
First Nat. Secs. Ltd.
Antony Gibbs
Goode Durrant Trust
Greyhound Guaranty
Grindlays Bank
Guinness Mahon
Hambros Bank
Hill Samuel
C. Hoare & Co.
Julian S. Hodge
Hongkong & Shanghai
Industrial Bank of Scot.
Keyser Ullmann
Knowsley & Co. Ltd.
Lloyds Bank
London & European
London Mercantile
Midland Bank
Samuel Montagu
Morgan Grenfell
National Westminster
Norwich General Trust
P. S. Refson & Co.
Rossminster Accepts
Royal Bk. Canada Trust
Schlesinger Limited
E.S. Schwab
Security Trust Co. Ltd.
Shenley Trust
Standard Chartered
Trade Development Bk.
Twentieth Century Bk.
United Bank of Kuwait
Whiteaway Laidlaw
Williams & Glyn's
Yorkshire Bank

CORAL INDEX

Close 399-404

INSURANCE BASE RATES

Property Growth
Cannon Assurance

MONEY MARKET

Adequate credit supply

Bank of England Minimum Lending Rate 13 per cent. (since February 3, 1977)

Day-to-day credit was in good supply in the London money market yesterday and the authorities did not intervene for the first time since December 3. The houses were faced with a net take-up of Treasury bills, local authority bills and commercial bills, a rise in the note circulation, and repayment of the previous day's official advances. On the other hand banks carried over forward surplus balances from Monday, and Government disbursements exceeded revenue payments to the Exchequer.

Discount houses paid 11½-11¾ per cent. for secured call loans in the early part and closing balances were taken at 10-10½ per cent.

In the interbank market overnight loans opened at 11¼-11½ per cent. and touched a low point of 10-10½ per cent. before closing at 11-12 per cent.

Short-term fixed period interest rates were fairly steady. Discount houses buying rates for three-month Treasury bills showed little change at 10⅞ per cent.

Rates in the table below are nominal in some cases.

Local authority and finance houses seven days' notice, others seven days' fixed.

AUTHORISED UNIT TRUSTS

[illegible]

INSURANCE, PROPERTY, BONDS

[illegible]

OFFSHORE AND OVERSEAS FUNDS

[illegible]

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

1976/77 High	Low	Stock	£	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
103¼	97½	Treasury 11½pc '77‡‡	100¾xd	+⅛	11.42	10.54
95¼	91⅛	Treasury 3pc '77‡‡	95¼	+⅛	3.15	9.89
96	92¼	Transport 4pc '72-77	95¾	......	4.18	9.45
99½	90½	Treasury 9pc 1978‡‡	98⅝xd	+⅛	9.13	10.51
101½	93⅞	Treasury 10½pc '78‡‡	99⅝	+⅛	10.54	10.79
95¼	89⅝	Exch. 5pc '76-78	94¾xd	+¼	5.28	8.61
103⅜	92½	Treasury 11½pc '79‡‡	99½xd	+⅛	11.56	11.81
91¼	82¼	Treasury 3pc '79‡‡	90½xd	+⅛	3.31	7.11
91⅛	82¼	Electric 4½pc '74-79	90½xd	......	4.70	8.41
100½	88⅞	Treasury 10½pc '79‡‡	96⅞	+⅛	10.83	11.82
90⅛	82¼	Electric 3½pc '76-79	89⅛	+⅛	3.93	8.01
96⅝	84½	Treasury 9pc 1980‡‡	96⅝xd	+⅛	9.31	10.33
96	84½	Treasury 9½pc '80‡‡	94½	+⅛	10.03	11.51
89¼	78¼	Treasury 3½pc '77-80	88⅛	+⅛	3.97	7.62
90½	80	Funding 5¼pc '78-80‡‡	89¼	+⅛	5.88	9.08
103½	96	Exchequer 13pc 1980‡‡	102½	+⅛	12.67	12.10
103⅝	88½	Treasury 11½pc 1981‡‡	99¾	+¼	11.54	11.58
86	76¼	Treasury 3½pc 1979-81	84⅝xd	+¼	4.14	8.09
95⅝	82½	Treasury 9¾pc 1981‡‡	95⅛	+⅛	10.26	11.28
103⅛	96⅛	Exch. 12¾pc 1981‡‡	102	+⅛	12.50	12.16
94⅛	79⅞	Treasury 8½pc '80-82‡‡	93	+¼	9.14	10.35
80¾	69¾	Treasury 3pc '82‡‡	80¾	+¼	3.71	7.73
		Five to Fifteen Years				
111	98¾	Treasury 14pc '82‡‡	106⅝xd	+⅛	13.06	12.10
107⅞	88⅞	Treasury 12pc 1983‡‡	100xd	+⅛	11.91	11.84
87⅞	69⅝	Funding 5½pc '82-84‡‡	83⅞	+⅛	6.05	9.45
87⅝	74¼	Treasury 8½pc '84-86‡‡	86½	+⅛	9.95	11.04
75⅛	60¼	Funding 6½pc '85-87‡‡	74⅛	+⅛	8.58	11.10
78	65⅝	Treasury 7¾pc '85-88‡‡	76⅞	+⅛	10.01	11.61
55½	44⅛	Transport 3pc '78-88	54½	+⅛	5.55	9.79
60¼	46	Treasury 5pc '86-89	59⅛	+¼	8.68	11.42
103½	86½	Treasury 13pc 1990‡‡	95¼	+⅛	13.65	13.77
75¾	61⅝	Treasury 8¼ 87-90‡‡	74	+¼	11.39	12.56
60½	47⅞	Funding 5¾pc '87-91‡‡	59⅛	+¼	10.06	12.12
103½	85	Treasury 12¼pc '92‡‡	93	+½	13.38	14.05
		Over Fifteen Years				
98½	81	Treasury 12½pc '92‡‡	90⅞	+⅛	13.97	14.16
58	45½	Funding 6pc 1993‡‡	54½xd	+¼	10.99	12.55
100	96	Treasury 13¾pc 1993‡‡	97⅛	+⅛	14.51	14.36
105½	91⅞	Treasury 14½pc '94‡‡	100½xd	+⅛	14.39	14.35
75⅝	59½	Treasury 9pc '94‡‡	72¾	+¼	12.30	13.41
38	28⅝	Gas 3pc '90-95	37⅛	......	8.29	11.38
100	79	Treasury 12¼pc '95‡‡	93⅞	+⅛	14.11	14.21
75⅞	59⅞	Treasury 9pc '92-96‡‡	69½	+¼	12.86	13.39
110½	97½	Treasury 15¼pc '96‡‡	107⅞	+⅛	14.73	14.68
108⅛	99	Treas. 15¼pc '98 'A'‡‡	105⅞	+⅛	14.72	14.66
98⅞	81½	Exchequer 13¼pc '96‡‡	93¼	+⅛	14.23	14.30
37¼	28	Redemption 3pc 1986-96	36⅝	......	8.46	11.29
102½	83¾	Treasury 13¾pc '97‡‡	94½	+⅛	14.23	14.29
70⅞	58	Treasury 8¾pc 1997‡‡	67xd	+¼	13.03	13.52
57⅛	45	Treasury 6¾pc '95-98‡‡	55⅞	+¼	12.55	13.34
112⅞	96⅜	Treas. 15½pc '98‡‡	104⅞	+⅛	14.69	14.66
76	62¼	Treasury 9½pc 1999‡‡	72⅝	+¼	13.27	13.57
31⅞	25⅛	Funding 3½pc '99-04	31⅛	......	11.38	12.45
65	51	Treasury 8pc '02-06‡‡	63¼	+¼	13.30	13.73
46⅛	35⅝	Treasury 5½pc '08-12‡‡	41⅝xd	+¼	13.18	13.37
60⅞	50⅛	Treasury 7¾pc '12-15‡‡	58½	+¼	13.38	13.45
		Undated				
30⅝	25¼	Consols 4pc	28½	......	14.15	—
29½	22¼	War Loan 3½pc‡‡	27¼	......	12.99	—
29⅝	23⅛	Conv. 3½pc '61 Aft.	28½	......	12.91	—
22¼	18½	Treasury 3pc '66 Aft.	22½	......	14.55	—
19⅝	16	Consols 2½pc	18⅝	......	13.67	—
19½	15⅜	Treasury 2½pc	18⅛	......	14.23	—

**INTERNATIONAL BANK

1976/77 High	Low	Stock	£	+ or −	Yield Int.	Red.
79	68½	5pc Stock '77-82	78½xd	......	6.38	10.24

**CORPORATION LOANS

1976/77 High	Low	Stock	£	+ or −	Yield Int.	Red.
89¾	78¾	Birm'ham 9¼pc '79-81	87½	−¼	10.57	13.03
83½	75¼	Bristol 7¾pc '79-81	81¾	+¼	9.48	13.05
102½	86½	G.L.C. 12¾pc '82	99⅝	+¼	12.99	13.52
99¼	88¾	Do. 12½pc 1983	95¼	+¼	13.04	13.48
87½	75	Glasgow 9¼ '80-82	85	......	11.09	11.49
61¼	73½	Herts. 5½pc '78-80	81¼	......	6.46	12.44
95¼	90⅝	Liverpool 5¾pc '76-78	92⅝	......	6.34	12.23
86¼	73½	Do. 9¼pc '80-84	83½	......	11.63	13.28
26	20½	Do. 3½pc Irred.	23¾	......	14.69	—
92⅝	85½	Lon. Corp. 6½pc '75-78	92½	......	7.03	12.27

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS (Miscel.)

[illegible]

FOREIGN BONDS & RAILS

[illegible]

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

[illegible]

S.E. List Premium 37⅞% (based on $US1.7582 per £)

Conversion factor 0.7230 (0.7294)

CANADIANS

1976/77 High	Low	Stock	£	+ or −	Div. Gross	Cvr	Y'ld Gr's
14¾	10	Bk. Montreal $2	10⅞	+¼	$1.00	—	5.6
20¾	14½	Bk. Nova Scotia $1	15⅞	+⅛	86c	—	3.2
46¾	33¾	Bell Canada 25c	37½	+½	$3.72	—	5.8
23⅝	12	Bow Valley‖	18	+¼	10c	—	0.3
10⅛	780p	Brascan‖	925p	+5	10⅛	—	6.4
29⅞	18⅞	Can. Imp. Bk. $2	18⅞	+⅛	$1.40	—	4.1
16⅞	10½	Can. Pacific $5	13⅞	+¼	80c	—	3.8
29⅝	25⅛	Do. 4pc Deb. £100	29⅛	......	4%	—	13.8
37⅞	17½	Gulf Oil Can.‖	21¼	+¼	$1.06	—	2.9
670p	340p	Hawker Sid. Can.‖	360p	+10	36c	—	5.9
33	20¾	Hollinger $5	22½	+¼	$1.94	—	6.3
18	10⅞	Hudson's Bay‖	12⅛	+⅛	60c	—	2.8
34⅜	25½	Hud. B. Oil G. $2½	26½	+¼	$1.52	—	0.1
22¼	15	Imperial Oil‖	18⅛	+⅛	86.4c	—	2.8
31½	19½	Inco	24⅝	......	$1.60	—	3.8
920p	660p	Int. Nat. Gas $1	790p	+2	80c	—	6.8
25½	14¾	Massey Ferg.‖	15	+⅛	$1.00	—	3.9
27⅝	20¼	Pacific Pet. $1	22⅝	+½	86.4c	—	2.2
42p	24p	Place Gas $1	35½p	......	—	—	—
30¾	20¼	Rio Algom	21⅞	+⅛	$1.00	—	2.8
27¼	17⅞	Royal Bk. Can. $2	19⅝	+⅛	$1.38	—	4.2
28⅛	16⅛	Seagram Co. C$1	18⅝	+⅛	86.4c	—	2.8
18⅛	12¾	Tor. Dom. Bk. $1	13¾	+⅛	76c	—	3.3
11⅞	830p	Trans. Can. Pipe $3½c	10¼	+⅛	95c	—	5.4

S.E. List Premium 37⅞% (based on $1.7582 per £)

BANKS AND HIRE PURCHASE

1976/77 High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's	P/E
398	250	ANZ $A1	280	−2	†Q18c	—	4.0	—
250	125	Alexanders D. £1	200xd	......	12.83	—	9.9	—
£110	£80	Algemene Fl.100	£101	+3	†Q21%	2.6	5.1	10.4
490	235	Allen Harvey £1	410	......	25.0	—	9.4	—
128	76	Allied Irish	110	......	†Q6.89	—	6.3	—
195	90	Arbuthnot L. £1	120	......	8.28	—	10.9	—

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Continued

[illegible]

CHEMICALS, PLASTICS

[illegible]

CINEMAS, THEATRES AND TV

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Continued

[illegible]

ELECTRICAL AND RADIO

[illegible]

ENGINEERING, MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

مكتبة من الاصل

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicle

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS—Continued

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

Finance, Land, etc.

[illegible]

DIAMOND AND PLATINUM

[illegible]

MINES—Continued

CENTRAL AFRICAN

[illegible]

AUSTRALIAN

[illegible]

TINS

[illegible]

COPPER

[illegible]

MISCELLANEOUS

10	8	Burma Mines 17½p.	9	......	0.1	ϕ	1.8
35½	15½	Charterhall 5p	26½	-1	—	—	—
90	28	Colby Mines SC1	72	......	—	—	—
990	420	Cons. Murch. 10c	470	+10	Q140c	ϕ	21.6
440	245	Northgate C$1	355	......	—	—	—
239	152	R.T.Z.	185	+8	g5.96	2.1	5.0
112	55	Sabina Inds. C$1	58	+1	—	—	—
£15⅞	£10	Tara Exptn. $1	£11⅛	+⅛	—	—	—
48	32½	Tehidy Minerals 10p	47	......	t1.19	2.2	3.9
145	84	Yukon Cons C$1	125	......	Q6½c	ϕ	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures; they are adjusted to ACT of 35 per cent. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- § Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents
- ϕ Figures or report awaited.
- †† Unlisted security.
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ✦ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1976-77. M Figures based on prospectus or other official estimates for 1976. N Dividend and yield based on prospectus or other official estimates for 1978. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 27

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £325 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	18	......	Sayers 12½p	10	+1
Ash Spinning	34	......	Sheffield Brick	75	-3
Bertam	16	......	Sheff. Refrsbmt.	150	......
Bdg'wtr. Est. 50p	143	......	Shiloh Spinn	21	......
Clover Croft	21	......	Sindall (Wm.)	49	......
Craig & Rose £1	360	......			
Dyson (R.A.)	23	......	**IRISH**		
Ellis & McHdy	59	......			
Evans Fr'k 10p	25	......	Conv. 9% '80/82	£96¼xd	......
Evered	9	......	Alliance Gas	50	+3
Fife Forge	49	......	Arnott	225	......
Finlay Pkg. 5p	16	......	Carroll (P.J.)	135	......
Graig Ship. £1	310	......	Clondalkin	36	-1
Hallam Sleigh 10p	9½	......	Concrete Prods.	73	......
Higsons Brew	76	......	Heiton (Hldgs.)	28xd	......
I.O.M. Stm. £1	135	......	Ind. News	44	......
Holt (Jos.) 25p	200	......	Ins. Corp.	130	......
Kleen-e-Ze	42	......	Irish Distillers	55	......
Lovell's Ship £1	189	......	Irish Ropes	106	......
N'thn. Goldsmith	26	......	Jacob	45	+1
Pearce (C. H.)	80	......	Sunbeam	16	-½
Peel Mills	13	......	T.M.G.	115	......
Robb Caledon 5p	34	......	Unidare	50	......

OPTIONS

3-month Call rates

Industrials		Hawker Sidd.	40	Tube Invest.	30
A. Brew	6½	House of Fraser	8	Unilever	40
A.P. Cement	18	I.C.I.	25	Utd. Drapery	7½
B.S.R.	10	"Imps"	7	Vickers	15
Babcock	0	I.C.L.	14	Woolworths	&
Barclays Bank	25	Inveresk	7		
Berry Wiggins	5	Ladbroke	11	**Property**	
Beecham	32	Legal & Gen.	12	Brit. Land	3½
Boots Drug	12	Lex Service	5	Cap. Counties	3
Bowaters	16	Lloyds Bank	22	E.P.	5
B.A.T.	21	"Lots"	5	Intreuropean	7
British Oxygen	6	London Brick	5	Land Secs.	14
Brown (J.)	17	Lonrho	0	MEPC	7
Burton 'A'	&	Lucas Inds.	20	Peachey	&
Cadburys	5	"Mams"	7	Samuel Props.	4½
Cavenham	10	Mrks. & Spncr	10	Town & City	1½
Courtaulds	10	Midland Bank	25		
Debenhams	8	Nat. West. Bank	22	**Oils**	
Distillers	13	Do. Warrants	9		
Dunlop	8½	P & O Dfd.	12	Brit. Petroleum	60
Eagle Star	11	Plessey	7	Burmah Oil	0
E.M.I.	20	R.H.M.	5	Shell	29
Gen. Accident	17	Rank Org. 'A'	18	Ultramar	14
Gen. Electric	17	Reed Intl.	20		
Glaxo	36	Reyrolle	12	**Mines**	
Grand Met.	7	Spillers	4	Charter Cons.	15
G.U.S. 'A'	18	Tesco	4	Charterhall Fin.	4
Guardian	15	Thorn 'A'	22	Cons. Gold	15
G.K.N.	25	Trust Houses	13	Rio T. Zinc	12

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Wednesday February 23 1977

Arabs relax Israel boycott in trade concession to U.S.

BY DAVID BELL

WASHINGTON, Feb. 22.

MOST ARAB STATES have made a significant concession over the Arab boycott of Israel. With the exception of Iraq, it appears that all the Arab trading partners of the U.S. have agreed to drop their insistence that all goods shipped from the U.S. should be accompanied by a document certifying that they are "not of Israeli origin and do not contain Israeli components."

This important concession coincides with resumption of hearings in Congress into strong new anti-boycott legislation which has just been introduced into the Senate.

The new Bill is slightly tougher than that blocked by the Ford Administration last year, and would specifically outlaw certificates of origin of the kind that the Arabs appear to have dropped.

Jobs warning

Saudi Arabia and other States are understood to have reserved the right to withdraw the concession if Congress passes "too stringent" anti-boycott legislation, but have made it known that the concession is intended as a signal to the Administration that the Arabs are prepared to compromise on some aspects of the boycott.

Arab sources in New York say that the decision should not be interpreted as a sign of Arab weakness, and that Jewish anti-boycott groups should resist the temptation to claim the credit for it.

The American Jewish Congress has hailed the Arab decision as a major step forward.

The seriousness with which the boycott is viewed was highlighted yesterday when Mr. George Helland, president of the Petroleum Equipment Suppliers' Association, said during the hearings that if the Senate went ahead with the proposed anti-boycott law his organisation estimated that about 105,000 jobs a year would be lost for the next five years.

The anti-boycott Bill co-sponsored by Senators William Proxmire and Harrison Williams would provide for a $20,000 fine and a year's imprisonment for a first violation, and up to five years in prison for subsequent breaches.

Like the Bill proposed last year, it forbids U.S. compliance with the terms of the boycott, U.S. participation in secondary boycotts of other American companies already blacklisted by the Arabs, and any other boycott-related action.

The previous Bill may also be reintroduced into the Senate soon, and President Carter said during his election campaign that he was in favour of it.

Mr. Cyrus Vance, the U.S. Secretary of State, is due to appear in Congress this week to explain the Carter Administration's attitude to the boycott.

During his visit to the Middle East, which ended yesterday, he was apparently left in no doubt about Arab hostility to the new anti-boycott legislation, or about Arab concern after recent anti-boycott statements by Mrs. Juanita Kreps, the new Commerce Secretary.

It remains to be seen if the new Arab concession will be enough to mollify opponents of the boycott in Congress. It comes after a decision taken quietly by the Arab League to inform U.S. exporters and freight forwarders that they need henceforth provide only "positive" certificates, saying only that the goods being exported are "made in the U.S.A."

Some Congressmen may object that even this positive certificate amounts to a tacit acceptance of the boycott and, therefore, should be resisted.

There is, for instance, still considerable opposition to the Arab blacklisting of certain ships, which the State Department regards as a "very troubling aspect."

Leyland closure threatened by toolroom rebels

BY ALAN PIKE, LABOUR STAFF

BRITISH LEYLAND moved closer yesterday to total shutdown in its car and truck factories when it appeared that leaders of unofficial toolroom strikers would reject an instruction from their union to return to work.

The Amalgamated Union of Engineering Workers' executive stated after discussing the Leyland troubles that it agreed with the demands of toolroom workers and other skilled grades for the establishment of "adequate and acceptable differentials" and would give whatever support was possible at the appropriate time.

But it took the view that nothing could be done during the present phase of pay policy and the statement concluded with an instruction to all members to return to work.

Mr. Roy Fraser, leader of the unofficial committee organising the strike, said afterwards that he did not believe his group would call off the action in view of the executive statement.

Yesterday all Allegro production at Longbridge, Birmingham, came to a halt—first casualty of the toolroom action with 2,600 men laid off—and disruption can be expected to mount by the end of the week.

In a separate dispute all production at the company's four bus and truck factories at Leyland, Lancs., is running down, and the 8,000-strong workforce will be laid off on Friday.

Toolmakers at 11 Leyland car factories, including crucial components works, are on strike demanding a separate company-wide negotiating unit for toolrooms and action on pay differentials.

Mr. Hugh Scanlon, AUEW president, made it clear yesterday that the Government can expect his union to take a very tough line on restoring differentials for skilled workers when details of any third phase of pay policy are discussed.

Many resolutions critical of pay policy have been tabled for the union's policy-making national committee in May. Mr. Scanlon said that differentials had been badly eroded in recent years, and there was "hardly a representative of management or a trade union official" who did not realise the dilemmas this was creating.

Mr. Fraser commented: "The executive are telling us they will support our differentials claim at the appropriate time. The appropriate time is now. We are simply seeking negotiating rights, and this is not a challenge to the social contract."

The unofficial committee is due to meet in Birmingham on Saturday. Mr. Fraser said he did not think it would advise members to call off the stoppage.

Unofficial strike leaders have been seeking a meeting with the executive, but their letter requesting this had apparently not reached AUEW head office yesterday. Because it does not recognise the unofficial committee—and does not sympathise with its claim for separate toolroom negotiations—the executive's instructions to resume work will be sent through normal branch channels.

The potential disruptive effect of the toolroom strike was illustrated at Longbridge yesterday, when all Allegro production was brought to a standstill because a single machine broke down.

After the AUEW executive had considered the toolroom strike yesterday, Mr. Jerry Russell, member for the North West, met shop stewards from the Lancashire Leyland bus and truck factories which are threatened because of a strike by 17 crane drivers who want to move to direct production rates.

● Leyland management has sent letters to 56 men at its main spares depot in Cowley who have been on strike since January 10, saying that unless they return to work immediately it will be assumed they do not want their jobs. The strikers are claiming payment for time lost during a previous dispute.

THE LEX COLUMN

A 'discriminating' price code

The new prices policy, says Mr. Roy Hattersley, is intended to be "more discriminating" than its predecessor. "We need to be concerned about the use of profits as well as their size."

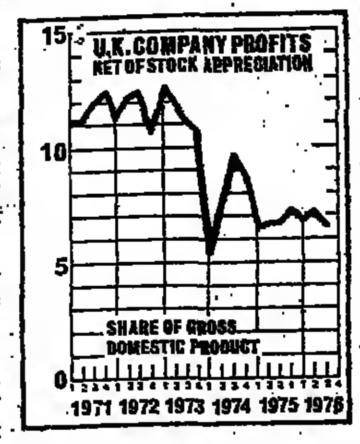
The crucial feature of the proposals is that they are no longer seen just as a device to keep prices down temporarily. They amount to a permanent scheme to control the rate of generation of profits in different sectors of the economy. Mr. Hattersley admits that the overall level of prices will only be marginally affected by the exercise of his proposed new powers. But price changes will be made "socially accountable," which apparently means that they must conform to "economic considerations which the Government believes should influence pricing decisions." At the moment that largely boils down to the rate of new investment, and companies which do not reinvest their retained profits—whatever the available rates of return—could find themselves in difficulties with the Price Commission.

Yet in general terms, the new policy amounts to a relaxation. The allowable cost controls, which have continued to be inconvenient for many companies although not especially damaging of late—are to be dropped. The margin controls which remain in force have ceased to provide any effective restraint on prices, especially since the changes to the Code last summer. The Price Commission has stated that profit margins could, in theory, double before the control started to bite.

There must be a possibility that the definition of reference levels could be altered in the new Code. But it is still the intention to make progress towards inflation accounting, so that provisions like supplementary depreciation and stock relief will continue in force. Consideration will also be given to going over fully to current cost accounting where companies adopt this treatment in their published accounts.

To set against the relaxatinn, however, is an almost entirely new system of spot investigation. The recent precedents fnr this kind of procedure are not very encouraging. The probe into the TV rental Industry, for instance, produced a competent analysis which had little apparent bearing on the conclusions, which were overtly political. The recent reference of the brewing industry threatens to follow a similar pattern.

Index rose 8.7 to 397.7



Now there are to be as many as 10 such investigations of sectors each year, while the Secretary of State is talking in terms of 40 or 50 inquiries into individual companies. It is not clear why these particular numbers are thought to be appropriate—it probably has more to do with the capacity of the Price Commission than with the extent of suspected profiteering.

The new powers are being put forward as an extension of the Government's armoury in combating the exploitation of market power—quicker and more flexible than the Monopolies Commission. Unfortunately the criteria for the references are so loosely defined that the apparatus is likely to be used for scoring short-term political points rather than for seeking to strengthen competitive forces. This is not a satisfactory alternative to the further development of anti-monopoly policies which is certainly required.

For the time being there is no great message for the stock market, but new elements of uncertainty will creep in. Some sectors which have been exploiting the cost-plus opportunities of previous Codes could be vulnerable; obvious examples include various building material and food manufacturing groups. The retailers, whose gross margin restrictions remain unaltered, will not be very happy either. And they must be worried that an official attack on the margins of an individual price leader could have repercussions in such a competitive sector.

The longer term implications of the proposals could be serious for the securities markets, for they represent a further attempt to interfere in the process of redistributing capital from mature to growing industries. The Government rather than the market is to decide where profits and investment are to be made.

IMI

A small rise in volume worked wonders for Imperial Metal Industries' profits. Full year profits are £13.7m. higher at £30.1m. on a 6.5 per cent rise in sales volume. About £3m. of the improvement reflects exchange gains and the benefits of the rights issue, but the rest is mainly due to a strong recovery in margins.

IMI started the year operating at about 17 per cent below 1973 capacity levels. Volume dropped by about a point in the first six months but rose by 8 per cent in the second six months—almost all in the final quarter. In volume terms overseas sales grew more than twice as fast as U.K. sales.

Three main areas headed the recovery. Copper semis which had ... 1975 showed a big upturn ... year, as did the fluid ... interests where U.S. ... returned to more normal ... and though the zip fas... products continued to ... from Japanese competition ... combination of sterling ... tion and overseas rationa... boosted profits here.

The improvement in ... quarter has faltered ... into the current year ... remains vulnerable ... further downturn in ... building industry or ... Japanese competition ... overseas fastener... Nevertheless, any increase in volume should show ... quickly to profits, and ... the shares yield 8.0 per cent ... more than a point ... engineering sector ...

Meanwhile a near ... rupling in retentions ... £20m. rights issue have ... ably covered the £25m. ... in working capital, due ... to a 40 per cent rise ... copper price in 1976, and ... funds are £9m. higher.

Smith may allow land sales to blacks

By Our Own Correspondent

SALISBURY, Feb. 22.

MR. IAN SMITH, the Rhodesian Prime Minister, is expected to announce this week that blacks are to be allowed to buy agricultural land now reserved for whites under the Government's plan to relax racially discriminatory legislation.

The plan forms an essential part of Mr. Smith's bid for an internal settlement with "moderate" Africans, but the indications are that it will fall far short of expectations, fail to satisfy Nationalist demands, and increase black scepticism about Mr. Smith's commitment to majority rule.

Segregated

The parliamentary caucus of the ruling Rhodesian Front, which is now finalising the plan, is thought to have decided to open agricultural land in areas now classified as "European" in all races. The sources said a small group of MPs wanted to see segregated residential areas opened to all, but this is unlikely to be approved.

Other changes are likely to include permission for private schools to accept unlimited numbers of non-white pupils, rather than being restricted to 6 per cent. of the total enrolment, and for Africans to own businesses in commercial and industrial areas of towns.

The retaxation in the private schools, which have about 9,000 pupils in all, is insignificant. The main African grievance is that education for their children is not compulsory, while it is for whites, and that there is a vast disparity in spending on the two groups.

Apart from the vote, the most contentious issue for blacks is the allocation of land under the Land Tenure Act which divides the country roughly 50:50 between 275,000 whites and 6.2m. Africans.

Inferior

Their complaints will not be resolved by opening white rural land to blacks. A major discriminatory factor is the white farmers' access to credit. More than Rh.$100m. (£100m.) a year is available to the 6,000 white farmers, while only Rh.$1m. is available for the 8,000 African Purchase Area farmers and the 600,000 farming families in the tribal trust lands (TTL), which house 60 per cent. of the population, and generally have inferior soil.

Areas of effectively discriminatory legislation not likely to be amended include the Master and Servants Act and the Industrial Conciliation Act. The Masters and Servants Act determines the working conditions of over half the blacks in employment — farm labourers and domestic workers—and precludes recognition of trade unions.

The Industrial Conciliation Act, the basis of labour legislation, is nominally non-racial but protects employers' interests and give disproportionate influence to skilled workers, who are predominantly white.

Dock repairs

THE BRITISH Transport Docks Board is to spend £200,000 on the repair of the outer lock gates to the Inner Basin at Millbay Docks, Plymouth. The work is expected to take at least six months.

Carter sends budget revisions to Congress

BY DAVID BELL

WASHINGTON, Feb. 22.

MR. JIMMY CARTER, the U.S. President, to-day sent Congress his list of revisions to the Federal budget for the fiscal year 1978, which will mean outlays of nearly $20bn. more than the $440bn. proposed by the outgoing Ford Administration last month.

The budget revisions, which have had to be prepared very quickly to meet the strict timetable under which Congress reviews the budget, include the effects of the President's $31bn. two-year programme to stimulate the economy.

There are also a number of amendments to the Ford proposals, including the restoration of many of the cuts in social spending proposed by Mr. Ford and a reduction of $2.5bn. in the increase in the defence budget.

The tight Congressional timetable has made it impossible for the new Administration to make many changes to the Ford budget. Mr. Bert Lance, the director of the Office of Management and the Budget, said that the major changes that Mr. Carter plans to make will have to wait until the budget for the fiscal year 1979.

Deficit

Mr. Carter's revisions mean that the overall federal budget for the fiscal year 1978 (which starts on October 1) will be $459.14bn., with an estimated deficit for the year of about $57bn., compared with the $68bn. figure expected this year. The deficit for 1978 will be about $11bn. higher than forecast by Mr. Ford because the Carter Administration expects its new economic package to yield additional revenues of about $8.6bn. during the next financial year.

Mr. Michael Blumenthal, the Treasury Secretary, said yesterday that he estimated that the Treasury would need to raise about $80bn. this year and about $75bn. next, but he did not think this would put undue pressure on interest rates or exclude other borrowers.

The economic forecast that accompanies the budget is very similar to that made by the Ford team, even after the effects of the economic package have been added.

Mr. Charles Schultze, the chairman of the Council of Economic Advisers, said that he expected real GNP to grow at an annual rate of 6 per cent from December 1976 to December 1977, in spite of the winter cold and the California drought.

Inflation rate

Mr. Schultze estimated that the underlying rate of inflation would remain at about 5.5 per cent., and conceded that this was a high base figure, considering the amount of slack in the economy. He said the Administration has already begun a thorough study of various ways to reduce this base figure in the years ahead and was still planning to balance the overall budget by 1981.

Apart from the expected cuts in the defence budget which were widely known in advance, Mr. Carter's budget also calls for an increase of $458m. in "security assistance" in the Middle East, but Mr. Lance was unable to break down this figure and would say only that it would be explained more fully later.

New Chrysler probe after £42.8m. loss

BY TERRY DODSWORTH, MOTOR INDUSTRY CORRESPONDENT

CHRYSLER U.K.'s announcement of £42.8m. losses last year was followed yesterday by a swift decision from the all-party Parliamentary Trade and Industry Sub-Committee to reopen its investigation into the company's affairs.

The sub-committee, part of the Expenditure Committee, spent about six months last year on an exhaustive inquiry into Chrysler's rescue by the Government.

It concluded that the company might be forced to go back to the Department of Industry for further finance after 1979 unless it had been sufficiently integrated in a more profitable European grouping.

There has been considerable annoyance on the committee that the Industry Department has as yet not issued a formal Government reply to the Report, although a White Paper is believed to be ready for publication.

In the meantime, Chrysler U.K.'s year-end figures, which coincide with world-wide profits of £250m. from its parent company, Chrysler Corporation, gives the committee the opportunity to return to the subject.

Dr. Edmund Marshall, the sub-committee chairman, said: "The way the two figures contrast is clearly something which will engage the attention of members of the sub-committee.

It is expected that the subject will be discussed at a meeting to-day. It is then possible that the committee will seek written information from the company, which could be followed by oral evidence if it were not satisfactory.

Although it is clearly not easy for the sub-committee to reopen an investigation of this type—it is now examining the fishing industry—some members feel strongly that issues they have examined should not be closed simply because a report has been published.

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Weather

U.K. TO-DAY

SHOWERS. Bright spells.

London, E. Anglia, E. Midlands
Bright intervals. Showers. Wind S.E., light. Max. 9C (48F).

S.E., Cent. S. and S.W. England, Channel Is., S. Wales
Bright intervals. Showers, some heavy. Wind E., light.

E., Cent. N. and N.E. England
Rather cloudy. Showers with hill fog. Wind E., light.

W. Midlands, N. Wales, N.W. England, Lakes, I. of Man
Sunny intervals. Scattered showers. Wind N.E., light.

Borders, Edinburgh, Aberdeen, S.W. Scotland, Glasgow, Cent. Highlands, Argyll, N. Ireland
Cloudy. Rain and hill fog.

Moray Firth, N.E. and N.W. Scotland, Orkney, Shetland
Sunny intervals.

Outlook: Showers, wintry in N.

BUSINESS CENTRES

	Y'day Mid-day	°C	°F		Y'day Mid-day	°C	°F
Alex'ndria	F	19	66	Madrid	F	8	46
Amstrdm.	F	9	48	Manchstr.	C	9	48
Athens	S	16	61	Melbourne	C	22	72
Barcelona	C	12	54	Milan	R	7	45
Belfast	C	7	45	Montreal	C	−5	23
Belgrade	R	11	52	Moscow	Sl	1	34
Berlin	F	10	50	Munich	F	10	50
Birmghm.	C	8	46	Newcastle	C	6	43
Bristol	R	9	48	New York	C	1	34
Brussels	F	12	54	Oslo	F	−3	27
Budapest	F	12	54	Paris	C	8	46
B. Aires	C	25	77	Perth	S	27	81
Cairo	S	20	68	Prague	F	10	50
Cardiff	C	8	46	Reykjavik	C	−2	28
Cologne	S	11	52	Rio de J'o	S	31	88
Copnhagn.	C	3	37	Rome	F	18	64
Dublin	R	7	45	Singapore	C	28	82
Edinburgh	R	6	43	Stockholm	C	−2	28
Frankfurt	F	11	52	Strasb'rg	C	11	52
Geneva	C	5	41	Sydney	R	20	68
Glasgow	R	6	43	Tehran	S	16	61
Helsinki	Sn	0	32	Tel Aviv	F	18	64
H. Kong	S	17	63	Tokyo	S	3	41
Jo'burg	C	27	81	Toronto	C	−3	26
Lisbon	C	12	54	Vienna	F	13	55
London	F	10	50	Warsaw	C	8	46
Luxembrg.	S	9	48	Zurich	C	8	46

HOLIDAY RESORTS

		°C	°F			°C	°F
Ajaccio	C	15	59	Jersey	C	8	46
Algiers	C	14	57	Las Plms.	S	20	68
Biarritz	S	15	59	Locarno	C	5	41
Blackpool	R	7	45	Luxor	S	23	73
Bordeaux	F	13	55	Majorca	C	12	54
Boulogne	S	10	50	Malaga	F	15	59
Casblnca.	C	16	61	Malta	F	21	70
Cape Tn.	C	26	79	Nairobi	S	22	72
Corfu	C	17	63	Naples	C	19	66
Dubrovnik	C	13	55	Nice	R	7	45
Faro	R	11	52	Oporto	R	8	46
Florence	C	12	54	Rhodes	F	17	63
Funchal	R	13	55	Salzburg	F	11	52
Gibraltar	R	13	55	Tangier	C	14	57
Guernsey	C	8	46	Tenerife	S	13	55
Innsbruck	C	7	45	Tunis	C	24	75
Inverness	C	5	41	Valencia	F	14	57
Is. of Man	C	7	43	Venice	C	8	46
Istanbul	F	15	59				

S—Sunny. F—Fair. C—Cloudy. R—Rain. Sl—Sleet. Sn—Snow. H—Hail.

Snow reports Page 29

Callaghan seeks Uganda inquiry

BY OUR FOREIGN STAFF

MR. JAMES CALLAGHAN announced in the Commons yesterday that Britain was seeking a United Nations investigation into the deaths of Archbishop Luwum and two Ugandan Cabinet Ministers. The announcement coincided with reports of serious unrest in Uganda.

Radio Uganda admitted that there had been incidents involving dissidents in the Ugandan Army, and that some people had been killed. There were unconfirmed reports from refugees fleeing Uganda, of a campaign to liquidate members of the Langi and Achole tribes.

Mr. Callaghan told the Commons that he shared the "widespread revulsion" at reports that the Archbishop and the two Ministers had been murdered, and said: "If they are true, there can be no words strong enough to condemn what has happened."

He was prepared, he said, to "take soundings" among other Commonwealth Governments about any invitation to President Amin to attend the Commonwealth Conference in London in June.

He added: "I do not think we would regard it as a slight if he stayed away from London."

Mr. Callaghan said Dr. David Owen, the new Foreign Secretary, had instructed the British delegation at the UN Human Rights Commission to call for an investigation into the deaths of the Anglican Archbishop and the Ministers.

Dr. Owen said he was "appalled" and increasingly concerned by what he had heard. He said later at the Foreign Office that a visit by General Amin to London was a "delicate issue."

Strictly speaking, Gen. Amin does not require a formal invitation to attend the Commonwealth Heads of Government meeting. The last Commonwealth meeting agreed in principle on London as the venue.

The Commonwealth Secretariat merely makes the administrative arrangements.

He could be excluded against his will from the June meeting only as the result of an initiative by one or more of the member-Governments, supported by most, if not all, other members. There is no precedent for *such a step*.

Dr. Shridath Ramphal, Commonwealth Secretary-General, is in New York, and will meet Dr. Kurt Waldheim, UN Secretary-General, and Mr. Andrew Young, U.S. Ambassador to the UN, to-day.

The Radio Uganda broadcast, monitored in Nairobi, said that Gen. Amin had sent messages of condolence "to the relatives of those who lost their lives during the calming-down of the situation."

IRI statement brings clash with directors

BY PAUL BETTS

ROME, Feb. 22.

A MAJOR ROW appears to have broken out among the top management of Italy's largest State holding company, IRI.

IRI to-day issued a brief statement denying recent reports that 13 senior directors of the company were threatening to resign.

To-night, however, the 13 put out their own statement, quoting a letter they sent at the end of last month to the chairman of IRI, Sig. Giuseppe Petrilli.

The letter said that in the opinion of the 13 there was urgent need to review the group's *organisational structure*.

"Trusting in a future reorganisation of the group's structure, we confirm that the positions we have held so far are at your disposal." This, they added was not a formal gesture but "evidence of our deep-felt conviction that individuals must be at the service of the group's consolidation and development requirements."

IRI's precarious financial position was recently outlined by Sig. Petrilli, who told the Italian Senate Budget Commission that the group's losses had increased from L490bn. (about £327m.) in 1975 to L670bn. (about £447m.) last year.

The group's accumulated debts at the end of last year amounted to L14,300bn. (about £9.5bn.), about L5,200bn. of which is in short-term borrowings.

Sig. Petrilli warned that several of IRI's major subsidiaries, like Alfa Romeo, Alfa Sud, Finmeccanica, and Alitalia, faced imminent bankruptcy unless urgent action was taken to reconstruct their capital bases.

IRI is Italy's largest single employer and the country's biggest enterprise.

The directors, in to-night's communique, claim that this letter has opened a confrontation *within the IRI* top management involving the chairman himself over the group's problems and the various measures to be taken in the future.

Pointing out that for some time an investigation of the group's operating conditions has been proceeding, the 13 signatories say that any further decision they may take would be related to the results reached through the group's current initiatives.

For some time there has been growing internal resentment among younger managers in IRI over the secretive and highly-centralised top-level structure of *the group*.

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